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Jason Goldstein  
May 16, 2019

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1 CAUSE NO. 2018-31578  
2 GULF COAST ASPHALT COMPANY ) IN THE DISTRICT COURT OF  
LLC )  
3 PLAINTIFF )  
4 VS. ) HARRIS COUNTY, T E X A S  
5 VITOL, INC., )  
DEFENDANT ) 295TH JUDICIAL DISTRICT  
6  
7

8 \*\*\*\*\*

9 ORAL VIDEOTAPED DEPOSITION

10 JASON GOLDSTEIN

11 May 16, 2019

12 \*\*\*\*\*

13  
14  
15 ORAL VIDEOTAPED DEPOSITION of JASON GOLDSTEIN,  
16 produced as a witness at the instance of the Defendant  
17 and duly sworn, was taken in the above-styled and  
18 numbered cause on May 16, 2019, from 9:43 a.m. to  
19 4:11 p.m. before Roxanne K. Smith, Certified Shorthand  
20 Reporter in and for the State of Texas, reported by  
21 computerized stenotype machine at the offices of Hall  
22 Maines Lugin, Williams Tower, 2800 Post Oak Boulevard,  
23 64th Floor, Houston, Texas, pursuant to the Texas Rules  
24 of Civil Procedure and the provisions stated on the  
25 record or attached hereto.

Jason Goldstein  
May 16, 2019

2

A P P E A R A N C E S

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ALSO PRESENT:

Mr. Corey Laborde, Videographer

\* \* \* \* \*

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24

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1 THE VIDEOGRAPHER: We are on the record at  
2 9:43 a.m.

3 JASON GOLDSTEIN,  
4 having been duly sworn, testified as follows:

5 EXAMINATION

6 BY MR. BROUGHTON:

7 Q. Good morning, Mr. Goldstein.

8 A. Good morning.

9 Q. My name is Ken Broughton; and as you know, I  
10 represent Vitol in this matter. Would you give us your  
11 full name including your middle name, please?

12 A. Jason Brent Goldstein.

13 Q. And what's your address?

14 A. 6215 Holly Springs Drive, Houston, Texas 77057.

15 Q. And what's your date of birth?

16 A. 4/30/69.

17 Q. And do you understand you're under oath here  
18 today --

19 A. I do.

20 Q. -- just as if you were testifying in court?

21 A. Uh-huh.

22 Q. If you have -- you know, at any point you want  
23 to take a restroom break or anything, just let us know.  
24 I always try to take one about every hour anyway.

25 A. Okay.

Jason Goldstein  
May 16, 2019

5

1 Q. I usually don't forget and -- but, you know,  
2 like I said, if you need a break --

3 A. Okay.

4 Q. -- just let us know. We'll be happy to do  
5 that. If at any time you want me to repeat my question  
6 or rephrase, let me know that.

7 A. Okay.

8 Q. And I'll be happy to do it.

9 A. Okay.

10 Q. Okay?

11 A. Thank you.

12 Q. So, tell us about -- did you grow up in  
13 Houston?

14 A. I did. I wasn't born here, but I moved here  
15 before I was one.

16 Q. All right.

17 A. And I grew up here through high school.

18 Q. Great. Tell us about your post high school  
19 education.

20 A. I got my bachelor of science in economics  
21 degree from the Wharton School at the University of  
22 Pennsylvania, and then I got my master's in  
23 administration from the MIT Sloan School of Management.

24 Q. And have you ever been deposed before?

25 A. One time.

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1 Q. Okay. What kind of case was that?

2 A. It was a federal bankruptcy proceeding related  
3 to Trigeant bankruptcy.

4 Q. Okay. And what were you testifying about in  
5 there?

6 A. It was really related to two factions of the  
7 Sargeant family, one of which owned Trigeant and one  
8 which had BTB Refining. And they had a number of  
9 lawsuits between them, and they were both trying to get  
10 this asset out of bankruptcy. And so, there was -- we  
11 were being deposed about our conversations with both  
12 parties.

13 Q. Okay. And who were you working for at that  
14 time?

15 A. Well, I was working for two companies.

16 Q. Okay.

17 A. Gulf Coast Asphalt Company as well as Gravity  
18 Midstream, but I was there solely on behalf of Gravity  
19 Midstream.

20 Q. Have you ever testified as a witness at a trial  
21 or an arbitration?

22 A. One time. It was a number of years ago. It  
23 was related to a real estate project in Belize. I  
24 was an -- should I elaborate?

25 Q. Sure.

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1           A.     I was an investment banker, and I was  
2     representing the purchaser. The purchaser was alleging  
3     that the seller breached his obligation to sell.

4           Q.     Okay.

5           A.     And I was a witness in that trial.

6           Q.     And who were you employed by at that time?

7           A.     Blossom Street Capital.

8           Q.     Do you know about when that Trigeant bankruptcy  
9     was when you gave a deposition, just more or less?

10          A.     Sure. So, Gravity purchased that asset out of  
11     bankruptcy in mid 2015. So, it would have been either  
12     '14 or '15, 2014 or 2015.

13          Q.     And about when do you think you testified for  
14     Blossom Street in that Belize matter?

15          A.     That would have been sometime -- I don't  
16     remember. Sometime between 2003 and 2009.

17          Q.     Have you ever been a party to any sort of a  
18     lawsuit?

19          A.     No.

20          Q.     Tell us about what you did to prepare for your  
21     deposition.

22          A.     I went back over some of my e-mails to confirm  
23     some dates, and I had some meetings with Neil and his  
24     partner Bill here in this office.

25          Q.     And were these e-mails that you believe had



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1     been produced in -- in the lawsuit?

2           A.     I don't know. Just -- I just couldn't remember  
3     certain dates and I was thinking about the history of  
4     the events that happened. I wanted to remind myself of  
5     certain -- certain historical dates --

6           Q.     Okay.

7           A.     -- is mostly what it was.

8           Q.     Any -- any particular dates that you were  
9     interested in remembering?

10          A.     I couldn't remember when we entered into our  
11     arrangement with Rio. I couldn't remember the dates of  
12     certain meetings during the Vitol relationship. Most --  
13     most of those dates I were unable -- I was unable to  
14     find but I was looking for.

15          Q.     Have you read through any of the formal papers  
16     that have been filed with the court?

17          A.     The -- I read the petitions shortly after they  
18     were filed, but it's been a while. So, I have not  
19     reread them recently.

20          Q.     And how are you employed today?

21          A.     I'm an employee of Gulf Coast Asphalt Company.

22          Q.     And how long have you been employed by Gulf  
23     Coast?

24          A.     Since January of 2010.

25          Q.     And tell us what the business of Gulf Coast

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1 Asphalt Company is.

2 A. As of today?

3 Q. If it's changed over time, you might -- you  
4 might tell us what it was like in 2010 and come forward  
5 through --

6 A. Sure.

7 Q. -- today.

8 A. So, when I joined in -- in 2010, the company,  
9 its primary business was owning oil terminals -- oil  
10 storage terminals. We also had marketing and trading  
11 operations. Those oil storage terminals which we  
12 expanded after I got there we sold off in 2013.

13 Q. Let me stop you there.

14 A. Sure.

15 Q. Where were those terminals?

16 A. In Alabama. Mobil --

17 Q. Mobil --

18 A. -- Alabama and Saraland, Alabama.

19 Q. Okay. All right. Apologize for interrupting  
20 you.

21 A. Sure.

22 Q. So, you -- I interrupted you right after you  
23 said you sold the terminals in 2013.

24 A. After that, we've substantially been a marketer  
25 and trader without owning any fixed assets.

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1 Q. So, I take it, were your business duties pretty  
2 much the same from 2010 to 2013?

3 A. Generally speaking, although my role tends to  
4 be fairly transactional and I'm kind of the corporate  
5 one on the strategic side. So, my duties frequently  
6 change from month to month and sometimes week to week,  
7 but -- but yes.

8 Q. Okay. How many people are in the management  
9 and upper management of -- of Gulf coast?

10 A. I would -- I would say that under AJ, who's our  
11 president --

12 Q. Uh-huh.

13 A. -- the next group is four kind of next level  
14 employees.

15 Q. And who are those people?

16 A. Myself, Joe Mattingly, George Grace and Hucker.

17 Q. What was the last name?

18 A. Hucker.

19 Q. Hucker. Just like it sounds?

20 A. Yes, H-u-c-k-e-r. I hope I'm not leaving  
21 anybody out.

22 Q. Do what?

23 A. I hope I'm not leaving anyone out.

24 Q. And what's your title right now?

25 A. I do not carry a title.

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1 Q. Okay. What about Mattingly, if I said that  
2 right?

3 A. I'm not sure.

4 Q. Okay.

5 A. At one point he was vice president. We were --  
6 Joe and I -- Joe Mattingly and I were asked to resign as  
7 officers, keep our employment but resign as officers and  
8 to relinquish our titles due to our majority of our time  
9 being spent in Gravity Midstream.

10 Q. Okay. And we'll get into that --

11 A. Sure.

12 Q. -- in a minute. When -- when did -- so, you  
13 were a VP also?

14 A. My title was executive vice president --

15 Q. Okay.

16 A. -- when I joined.

17 Q. So, from 2010 to --

18 A. Roughly 20- -- I'll say from 2010 as a start  
19 date to sometime between 2014 to 2016 --

20 Q. Okay.

21 A. -- I had that title, and then I -- I have not  
22 had a title since, a formal title.

23 Q. All right. And Mr. Grace, what is his title?

24 A. He's a trader.

25 Q. Okay.

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1           A.    I don't know if that's a formal title under his  
2           employment agreement or not.

3           Q.    Okay.  Mr. Hucker?

4           A.    He is our blender, but I would guess that is  
5           not his formal title.

6           Q.    Right.  Okay.

7           A.    He's in charge of blending asphalt.

8           Q.    Okay.  So, tell us what the -- well, before  
9           we -- we go to Gravity, tell me -- so, you said  
10          primarily since -- since Gulf Coast sold the assets in  
11          2013, it's been essentially a marketer and a trader; is  
12          that right?

13          A.    GCAC, yes.

14          Q.    Yeah.  Is that what you call it, GCAC?

15          A.    That's an abbreviation for Gulf Coast Asphalt  
16          Company.

17          Q.    Sure.  Okay.  And so, describe the sort of  
18          marketing and -- and trading activities that -- that  
19          GCAC has been involved in since 2013.

20          A.    Sure.  So, we will purchase asphalt and other  
21          related products that if blended in a certain way could  
22          become asphalt.  We will store those and then sell them  
23          either wholesale, which generally means by barge or  
24          ship, or retail which is by truck to road contractors.

25                       In addition to asphalt, we've also bought



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1 and sold heavy Canadian crude and fuel oil, but asphalt  
2 has always been the main business.

3 Q. And what is the ownership of GCAC?

4 A. It's 50 percent owned by Joyce Brass and  
5 50 percent owned by a company called Trifinery.

6 Q. Who is Joyce Brass?

7 A. That is AJ Brass' mother.

8 Q. And the name of the 50 percent owner, again,  
9 was what?

10 A. Trifinery. T-r-i-f-i-n-e-r-y. I believe it's  
11 Trifinery, Inc., but I have to confirm that.

12 Q. Okay. And who owns Trifinery, Inc.?

13 A. It is owned by AJ at least beneficially. I  
14 think there might be some trusts, but it's  
15 beneficially AJ and his half brother Dick Brass.

16 Q. Okay. And tell us about Gravity.

17 A. So, shortly after we sold the assets in 2013,  
18 we formed a new company while GCAC still existed  
19 initially called ISIS unfortunately. Unfortunately  
20 named before the terrorist organization became something  
21 we knew about. We subsequently changed the name to  
22 Gravity Midstream.

23 Q. After an FBI investigation? Yeah.

24 A. Bad timing. That was a partnership that we --  
25 management certain members of GCAC management, not all,

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1 formed with a private equity firm called EnCap Flatrock  
2 Midstream, and we formed that for the purpose of  
3 developing or acquiring oil assets similar to what we  
4 had done in the past.

5 Q. Mostly asphalt related or not necessarily?

6 A. Not necessarily.

7 Q. Okay.

8 A. We had no -- at the time of the start of the  
9 partnership, we had no assets. So, we looked -- we  
10 looked at a lot of things, some of which had nothing to  
11 do with asphalt.

12 Q. And were you one of the members of management  
13 that had an ownership interest?

14 A. Yes. I was the CFO of that organization.

15 Q. And who else had an ownership interest?

16 A. There would have been five individuals as part  
17 of management. Excuse me. Myself, AJ Brass, Joe  
18 Mattingly, Kenny Hucker and Dave Hubenak. In addition,  
19 EnCap Flatrock was an equity participant as well. And  
20 finally there was a small investment group which was  
21 made up of friends and family of AJ's that was a small  
22 passive investor. That was the -- those were the  
23 initial investors. I believe that the Fenton family was  
24 initial and not added later, but I'd have to go back and  
25 double check.

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1 Q. And so, is Gravity Midstream still in business  
2 today?

3 A. It is not.

4 Q. Okay. And when did it cease operating?

5 A. It sold substantially all of its assets, to my  
6 knowledge, in 2017. I'd already left the company, but I  
7 believe it sold all of its assets in '17. I can't tell  
8 you if as an entity it still exists or not beyond that,  
9 but it has had no operations since that time.

10 Q. Okay. So, you said you had left by that time.  
11 So, tell us about your involvement in Gravity from 2013  
12 until you ceased your involvement.

13 A. Sure. So, I was the CFO. I was also on the  
14 board of directors. I oversaw all financial management  
15 and operations. I was part of the key strategic team.  
16 I was heavily involved in looking at new projects. In  
17 the acquisition of the Trigeant/BTB facility done in  
18 Corpus, all of our capital provider banking  
19 relationships and, as we were a small team, generally  
20 whatever else popped up on a week-to-week basis.

21 Q. Okay.

22 (Cell phone interruption.)

23 (Discussion off the record for less than  
24 one minute.)

25 Q. (By Mr. Broughton) And so, that was pretty

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1 much -- well, and so, for what period of time did that  
2 go on with -- with your role being as you described?

3 A. So, it was middle of 2013 --

4 Q. Uh-huh.

5 A. -- until late 2016, there was a short period  
6 maybe about six months where I took over formally the  
7 role as interim chief operating officer as well.

8 Q. All right. And who'd you take that over from?

9 A. I'm not sure if we had that title formally at  
10 that time.

11 Q. Okay.

12 A. I can't recall.

13 Q. So, for six months you held both titles, CFO  
14 and COO or just kind of merged into one or what?

15 A. At one point or another, an individual became  
16 CFO, Craig Peus. So, I -- I can't recall when I  
17 was COO, if I was maintaining both titles or if he had  
18 already become CFO.

19 Q. Okay. And why did you become COO?

20 A. I think we just wanted more oversight of the  
21 physical operations in Corpus from our Houston corporate  
22 headquarters.

23 Q. If you can, go into more detail of what the  
24 business of Gravity Midstream was from 2013 --

25 A. Sure.

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1 Q. Oh, wait. Before we do that, so, you said  
2 prior to its sale in 2017, you ceased involvement --

3 A. Uh-huh.

4 Q. -- right? And when did you cease involvement?

5 A. Late 2016.

6 Q. And why did you cease involvement?

7 A. All five members of the management team at  
8 various times during -- five founders at various times  
9 left, and there were some obviously management changes  
10 being made.

11 Q. And -- and why did the five founders end up  
12 leaving?

13 A. Various reasons.

14 Q. Okay.

15 A. I left voluntarily. I was offered the  
16 opportunity to stay. Not everybody was in the same  
17 situation.

18 Q. And I mean, who -- who was making these --  
19 these decisions? Was it EnCap Flatrock making these  
20 decisions or --

21 A. Ultimately it's the board of directors who  
22 would make such a decision and EnCap Flatrock had a  
23 majority of the seats. However, at the time of my  
24 departure, I believe there was a new CEO who also might  
25 have, you know, had a say but not the ultimate



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1 decision-making authority without board approval.

2 Q. So, in 2016, I take it the board of directors  
3 was not happy with the direction of Gravity Midstream,  
4 or do you know what -- why they were asking some people  
5 to leave?

6 A. It was -- it was a challenging environment. We  
7 bought the asset in 2015, middle of 2015. That was  
8 right before crude prices went down substantially, if  
9 you recall, to the 40-ish dollar range. And we had  
10 bought that asset without the intention of focusing on  
11 asphalt, and that caused significant challenges for the  
12 business.

13 Q. And what was the business of Trigeant? Was  
14 it BTB? Is that what you said?

15 A. So, there were -- the Sargeant family had been  
16 in the asphalt business for a long time. There -- there  
17 are two factions of it, if you will. One of them owned  
18 Trigeant, and one owned BTB Refining. And actually part  
19 of the lawsuits and part of the bankruptcy was the  
20 resolution of which of those two companies owned which  
21 assets related to the Corpus facility. So, there were  
22 no operations at the time of acquisition partially  
23 because ownership was contested.

24 Q. And what was -- was there any relationship  
25 or -- how would you describe the relationship

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1 between GCAC and Gravity Midstream?

2 A. There really was not a significant relationship  
3 except for the fact that most of the management team of  
4 one company was the same as the management team of the  
5 other company. The only other relationship developed  
6 subsequently in late '15 or early 2016 because Rio  
7 Energy became a tenant at Gravity and GCAC had a  
8 business relationship with Rio.

9 Q. So, kind of going back to your work history,  
10 what was your first job out of -- once you graduated?

11 A. Well, for my first year after graduation, I  
12 held a number of odd jobs that I wouldn't remember most  
13 of the employers, everything from teaching tennis to  
14 bartending, and so technically --

15 Q. Okay. Not really interested in those.

16 A. Technically nothing professional for the first  
17 year.

18 Q. Okay.

19 A. My first professional job was a year after  
20 graduation I worked for British merchant bank called  
21 Charter House.

22 Q. What did you do for them?

23 A. I was an analyst in the mergers and  
24 acquisitions group.

25 Q. And where did you go next?

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1       A.    My next job was with another investment bank  
2   based in Los Angeles called Dabney Resnick at the time.  
3   It's now been renamed as Imperial Capital.

4       Q.    And what did you do there?

5       A.    I was an analyst and then an associate in the  
6   investment banking group.

7       Q.    Where'd you go from there?

8       A.    After that, I -- for maybe just shy of a year,  
9   I did a bunch of independent projects myself, some  
10   consulting. I also formed or co-founded an internet  
11   company initially called IMGIS subsequently renamed Ad  
12   Force. So, somewhere between six and 12 months I did  
13   that as well as some other consulting projects.

14      Q.    And what of business was Ad Force?

15      A.    It initially started off as a real estate  
16   listing service on-line and subsequently became an ad  
17   serving -- advertisement serving business similar to  
18   Double Click, if anyone remembers that.

19      Q.    That brings us up to '96 or so?

20      A.    Exactly.

21      Q.    Okay. And what did you do next?

22      A.    I went back to graduate school as I mentioned  
23   at MIT Sloan --

24      Q.    Sure.

25      A.    -- from '96 to '98.

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1 Q. Okay. What did you do in '98?

2 A. I went to work for another investment bank  
3 called Donaldson, Lufkin & Jenrette.

4 Q. And what did you do there?

5 A. I was an associate in the investment banking  
6 group.

7 Q. And where did you go after that?

8 A. After that, I went to a -- another investment  
9 bank called Wind River Capital which was based out of  
10 Salt Lake City, although initially I worked in New York.

11 Q. What sort of work were you doing there?

12 A. Similar except unlike Donaldson, Lufkin &  
13 Jenrette, which was a very large firm, we were a small  
14 firm at Wind River. So, we did smaller transactions,  
15 private placements, leveraged buy-outs, things like  
16 that.

17 Q. And after that, you went to Blossom Street?

18 A. Correct.

19 Q. What did you do at Blossom Street?

20 A. Very similar to Wind River Capital. Wind  
21 River, for whatever it's worth, has subsequently been  
22 renamed Cortina. Blossom Street we had for six and a  
23 half years doing small management buy-outs, private  
24 placements with equity and debt, some consulting work.  
25 Generally capital raising was our -- private capital --

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1 private institutional capital raising.

2 Q. And in all these various positions you've just  
3 told us about, much contact with oil, asphalt, any of  
4 those?

5 A. It really didn't start until Blossom Street  
6 Capital.

7 Q. Okay.

8 A. And Blossom Street Capital was not out there as  
9 an energy firm.

10 Q. Uh-huh.

11 A. But I was located in Houston and, so, over time  
12 ended up getting involved in energy-related projects  
13 just by being in Houston.

14 Q. And why'd you leave Blossom Street?

15 A. A combination of factors but the financial  
16 crisis of the 2008-2009 era was a significant factor.  
17 We had a small business. It always was volatile, high  
18 highs and low lows. And during that time, the lows were  
19 pretty low. So, I decided to stop doing that, and I  
20 subsequently went in-house with Gulf Coast Asphalt  
21 Company which was a client.

22 Q. And -- and so, that was in 2010.

23 A. Yes. I -- I left Blossom at the very end of  
24 2009 and joined GCAC in January of 2010.

25 Q. And how did you come across the job at GCAC?



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1           A.     I had known AJ Brass and GCAC for a while.  
2     Initially I met AJ through social connections, and I  
3     ended up while I was at Blossom Street doing some  
4     consulting work for some side investments he had that  
5     had nothing to do with the energy business; and then  
6     when he needed some work done for both Trigeant which he  
7     was involved with up through 2007-2008, as well as GCAC  
8     which at the time was his father's company which he was  
9     not involved with, I ended up doing work in capital  
10    raising for both of those entities.

11          Q.     So, you've been consistently employed by GCAC  
12    since 2010. You just also had an additional employment  
13    with Gravity.

14          A.     Technically that is true, although during my  
15    Gravity tenure, my time allotment to GCAC was very  
16    minimal.

17          Q.     And any -- any other companies besides Gravity  
18    that you were also doing work for?

19          A.     During that time?

20          Q.     Yeah.

21          A.     No.

22          Q.     Okay. So, at Gravity Midstream, I think you  
23    said you were on the board?

24          A.     Yes.

25          Q.     Okay. So, the board was basically directing

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1 the major decision-making of -- of Gravity, I assume?

2 A. Yes.

3 Q. So, you would have been involved in all -- all  
4 kind of major decisions with respect to Gravity.

5 A. Yes.

6 Q. Gravity had offices here in Houston?

7 A. Initially just Houston.

8 Q. Okay.

9 A. And then when it purchased the facility in  
10 Corpus, there was an office at the facility as well.

11 Q. Is that the 6600 Up River Road?

12 A. Yes.

13 Q. Okay. Where was its office in Houston?

14 A. Initially 11 Greenway Plaza.

15 Q. Is that where Gulf Coast was?

16 A. It was at -- yes.

17 Q. Was the same offices or --

18 A. Same offices.

19 Q. Okay.

20 A. And then we moved -- I have to remember the  
21 year. But we moved -- sometime during the Gravity  
22 tenure, we moved to Post Oak Boulevard, both GCAC and  
23 Gravity.

24 Q. Moved to the same suite of offices or --

25 A. Uh-huh.

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1 Q. What is the Gravity oil terminal, if you know?

2 A. I imagine you're speaking of the Corpus -- the  
3 66 [sic] Up River Road facility?

4 Q. Yeah.

5 A. It's had different names at different times.

6 Q. Okay.

7 A. So, during the Gravity ownership period, it was  
8 called GOTAC, the Gravity Oil Terminal at Corpus --

9 Q. Uh-huh.

10 A. -- as an -- as an acronym. It is a deepwater  
11 30,000-barrel a day name plate refinery and oil terminal  
12 on the Corpus Christi ship channel.

13 Q. And it was 100 percent owned by Gravity  
14 Midstream?

15 A. Yes. Well by a -- by a -- I believe by a  
16 wholly-owned subsidiary called Gravity Midstream Corpus  
17 Christi that we formed to make the acquisition.

18 Q. Okay. And how long did Gravity Midstream own  
19 GOTAC?

20 A. We purchased it in the middle of 2015, I think  
21 May or June but I could be off. And then it was sold  
22 somewhere in the middle of '17; but, again, I left in  
23 late '16. So, I don't know the exact date of that  
24 sale --

25 Q. Okay.

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1 A. -- offhand.

2 Q. And is that the same terminal as the B --  
3 what'd you call it -- BTB before it was --

4 A. Yes.

5 Q. Okay. That was the Sargeant -- you guys  
6 changed the name --

7 A. Yes.

8 Q. -- once you bought it. Okay. So, you said  
9 when you were fully engaged at Gravity Midstream, you  
10 were doing very little for Gulf Coast?

11 A. Yes.

12 Q. Okay. What sorts of tasks did you continue to  
13 do with Gulf Coast while you were at Gravity?

14 A. It would generally be related to financing  
15 strategy or perhaps our strategic relationship with Rio,  
16 how that was structured or amendments to that structure,  
17 significant corporate strategic decisions, nothing  
18 day-to-day.

19 Q. And so, when you left Gravity in 2016, did you  
20 sell your ownership position as well?

21 A. Yes.

22 Q. And -- and sold it to --

23 A. It was repurchased by the company.

24 Q. Okay.

25 A. By Gravity.

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1 Q. And to your knowledge, did -- did the other  
2 four founders sell their positions as well?

3 A. To my knowledge, they did.

4 Q. Okay. And while you were primarily involved  
5 in -- at Gravity, what -- what sort of business was Gulf  
6 Coast continuing to be involved in that you were  
7 providing some financing strategy for?

8 A. The -- the purchasing, blending and selling of  
9 asphalt, fuel oil and crude, heavy crude.

10 Q. And do you know who GOTAC was sold to?

11 A. The company that purchased it I believe is  
12 called Pin Oak Corpus Christi.

13 Q. And do you know anything about that company?

14 A. I know some of the management team, and I know  
15 one of the owners.

16 Q. None of them had any relationship to Gulf Coast  
17 or --

18 A. They -- they did. So, it just -- what happened  
19 is initially they brought on some of the remaining  
20 management team from Gravity. So, Craig Peus at the  
21 time of the sale was CEO, I believe.

22 Q. Can you spell his last name?

23 A. P as in Peter, e-u-s, as in Sam. He became  
24 the CEO of Pin Oak Corpus Christi. And Dave Hubenak,  
25 who was still at Gravity at the time, I believe -- no,

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1 he -- he wasn't. I believe Dave also left in 2016, as I  
2 mentioned, but continued to provide consulting services  
3 to Gravity, legal consulting services. And then he was  
4 brought in as a full-time employee at Pin Oak Corpus  
5 Christi, and he's still there.

6 Q. But he offices here in Houston?

7 A. He does downtown.

8 Q. Okay. Have you -- have you read Mr. Brass'  
9 deposition transcript?

10 A. I have.

11 Q. And when did you read that?

12 A. Shortly after it came out I guess a week or so  
13 after the deposition. I did look at it some in the last  
14 week or two as well. I did not read it cover to cover  
15 but...

16 Q. As you were reading it or skimming through it,  
17 I mean, is -- is there anything that stuck out in your  
18 mind that struck you as inaccurate?

19 A. There were a couple small things, but I don't  
20 know if they're important or not. I -- I think that the  
21 Rio relationship perhaps started earlier than when he  
22 mentioned. And I believe that the sale -- the sale  
23 price of the GCAC assets in 2013 were at a higher price  
24 than he recalled, although he -- he mentioned he did  
25 not -- he did not have an accurate memory of it.

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1 Q. That's the only two items you recall off the  
2 top of your head?

3 A. Those are what stand out.

4 Q. From 2010 to the present with respect to Gulf  
5 Coast -- and I realize that for a period of time, you  
6 were primarily involved in Gravity Midstream. But when  
7 Gulf Coast would enter into contracts, would you  
8 typically be involved in negotiations -- in the  
9 negotiations of those contracts?

10 A. So, if it were a -- a big contract, I'll say,  
11 or something like the Rio relationship, yes. If it was  
12 purchasing a cargo of asphalt or selling a cargo of  
13 asphalt, no. I would review terminal leases, things  
14 like that.

15 Q. Would -- would the -- would there have been  
16 contracts where you would be -- well, on these major  
17 contracts, who at Gulf Coast would be involved in  
18 negotiating them?

19 A. Something like the Rio agreement, it would  
20 primarily be myself and AJ Brass. Perhaps different  
21 people would be pulled in for special expertise. So, if  
22 there were product descriptions in the contract, we  
23 might pull in Kenny's expertise, for example, but  
24 substantially myself and AJ.

25 Q. How about at Gravity Midstream? Would you have



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1 been involved in negotiating major contracts?

2 A. Yes. Everything involved in all financing  
3 agreements, all potential customer agreements, any major  
4 purchases, and -- and at Gravity, more minor agreements  
5 as well, office space leases, some of the smaller  
6 agreements.

7 Q. Did you tell me when you first started at Gulf  
8 Coast, it was part-time?

9 A. It was.

10 Q. Okay.

11 A. I don't know if I told you that, but it was.

12 Q. Okay. And were you also working for someone  
13 else at that point in time?

14 A. So, just to be clear, when I first started  
15 doing some work for Gulf Coast Asphalt Company, it was  
16 not as -- it was while I was at Blossom Street Capital.  
17 They were a client. Then after I left -- after I left  
18 Blossom Street Capital, I joined GCAC as an employee but  
19 not with a hundred percent of my time, and I kept doing  
20 some other consulting projects. And then my  
21 responsibilities and time dedication to GCAC grew, and I  
22 became full-time.

23 Q. Do you recall about when you became full-time?

24 A. I think it would have been within the first  
25 year of employment, if I remember right.

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1 Q. Has Jgoldstein@gcachouston.com always been your  
2 e-mail?

3 A. Yes.

4 Q. Do you use any other e-mail addresses to  
5 transact business?

6 A. During -- during Gravity, we had a Gravity  
7 e-mail as well.

8 Q. And what was that e-mail?

9 A. Jg@gravitymidstream.com, I believe is correct.  
10 It's been a while.

11 Q. Those would have been the only two that you  
12 would have used?

13 A. For business.

14 Q. Okay. Wouldn't use a gmail or any other sort  
15 of account for business?

16 A. I have one, but I only use it for personal  
17 stuff.

18 Q. How would you conduct business by text message?

19 A. Nothing involving a commercial discussion or a  
20 transaction or anything. I might text my colleagues,  
21 hey, did you read a document or something like that.

22 Q. So, I think you said since 2017 -- well, you  
23 said you -- you relinquished your title. So, you just  
24 have no title.

25 A. No title and then I ceased to be an officer.

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1 Q. Okay. Who are the officers at Gulf Coast?

2 A. I believe the only officers today are AJ Brass  
3 and John Tomaszewski, to my -- to my last knowledge.

4 Q. Can you spell that last name for the court  
5 reporter?

6 A. T-o-m-a-s-z-e-w-s-k-i.

7 Q. Wow. Good for you. What does he do?

8 A. He is a -- so, he is now part-time. But for  
9 30-plus years, he had been the CFO. And while he does  
10 substantially the same activities he did during that  
11 time, I'm not sure if he has formally retained that  
12 title. He does all of the accounting overseas, the  
13 bookkeeping functions.

14 Q. So, going back to as of today, you said Gulf  
15 Coast no longer owns any assets currently; is that  
16 right?

17 A. Any -- any substantial fixed assets.

18 Q. Right. And so, primarily you're doing  
19 marketing?

20 A. (Witness nodding head.)

21 Q. And describe that for us.

22 A. Well, so, primarily the business today, which  
23 we now do with Mercuria as a partner, primarily is  
24 purchasing asphalt and asphalt blend stocks, blending  
25 them in leased storage tanks and selling them either

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1 FOB, at -- at those facilities where we have -- where we  
2 have tankage or delivered by barge or by ship to  
3 customers.

4 Q. Okay. So, describe for us -- I mean, is there  
5 a typical days of activity for you as far as just pretty  
6 standard, I'm doing this kind of thing?

7 A. It -- it's pretty atypical just more and more  
8 so recently. The business, other than the purchasing  
9 sales and the blending kind of runs itself, if -- if  
10 that makes sense. We don't have any significant  
11 transactions. We do not have any significant financing  
12 activity. Most of the more significant transactional  
13 work I have been involved with historically is not  
14 something that's going on these days.

15 Q. So, then, what are you doing?

16 A. So, this week I -- I was involved in a -- in a  
17 call to discuss hedging strategy with Mercuria. I was  
18 involved in -- or working on an amendment to the GCAC  
19 Mercuria agreement. We've had some discussions about an  
20 employee and their long-term fit at the company, things  
21 like that.

22 Q. Okay. And tell me about this -- discussions  
23 about an amendment to the GCAC/Mercuria agreement.

24 A. I'm -- I'm pretty sure I'm bound by  
25 confidentiality, but if you guys tell me I need to say

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1 it, I'll -- I'll say it.

2 MR. GILES: Where are you going?

3 Q. (By Mr. Broughton) It's -- it's not been  
4 finalized yet? This is just discussions or --

5 A. Well, correct. But even -- even the initial  
6 agreement is confidential. So, I would assume  
7 amendments we're discussing would be, but --

8 Q. Okay.

9 A. -- if -- if my attorney says to answer it,  
10 I'll --

11 MR. GILES: Let -- let me talk to him at a  
12 break.

13 MR. BROUGHTON: Sure. We'll come back to  
14 that, yeah.

15 MR. GILES: Which -- which reminds me, I  
16 meant to call you on this yesterday, but we have never  
17 entered into a formal confidentiality agreement.

18 MR. BROUGHTON: We can certainly do that,  
19 yeah.

20 MR. GILES: But -- but on the record with  
21 David by -- at the first deposition, which was AJ's, we  
22 talked about that both sides can designate any portion  
23 of the deposition or the documents that have already  
24 been produced --

25 MR. BROUGHTON: That's correct.

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1 MR. GILES: -- retroactively --

2 MR. BROUGHTON: Okay.

3 MR. GILES: -- that we do have an  
4 agreement. So, why don't we work on that? It would  
5 probably have to be the week after next because I'm  
6 going back to the last one Saturday.

7 MR. BROUGHTON: Okay.

8 MR. GILES: I'll send you something --

9 MR. BROUGHTON: Well, I have a trial next  
10 week, so --

11 MR. GILES: All right. Great. Well, then  
12 we'll work on it -- why don't we do it Monday?

13 MR. BROUGHTON: Yeah. Okay. Sounds good.

14 MR. GILES: All right. But -- but can we  
15 agree on the record that just like AJ and Patrick  
16 Perugini's depositions, that either side can designate  
17 this testimony as confidential after the fact once we  
18 have an agreement in place?

19 MR. BROUGHTON: Absolutely.

20 MR. GILES: Okay. And on that one, let us  
21 talk about it because I'm not --

22 MR. BROUGHTON: Sure.

23 MR. GILES: -- sure if that's -- if that's  
24 something he can even divulge --

25 MR. BROUGHTON: Okay.

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1 MR. GILES: -- subject to a confidentially  
2 agreement.

3 MR. BROUGHTON: Sure.

4 Q. (By Mr. Broughton) All right. Let's see.  
5 Okay. Several times so far, you -- you mentioned the  
6 Rio relationship. That was a joint venture?

7 A. I don't think that from a legal standpoint it  
8 was technically classified as a joint venture.

9 Q. Okay.

10 A. We had a joint marketing agreement --

11 Q. Okay.

12 A. -- where we effectively had a -- we -- we  
13 operated like a joint venture, had a business together,  
14 and we shared in the profits and losses of that  
15 business.

16 Q. Was that joint marketing agreement with Rio,  
17 was that a new sort of a business endeavor for Gulf  
18 Coast or had it done similar things previously?

19 A. It was a more formalized structure. We did --  
20 we did a lot of similar activity -- test my memory. I  
21 believe while we didn't do it under a formalized  
22 relationship, we had similar activity with Glencore that  
23 predated the sale of the assets where we worked together  
24 on a number of transactions. But it was not exclusive  
25 like the Rio deal was. So, Rio was the first of -- of



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1 that significance.

2 Q. So, were you -- were you involved at -- at the  
3 outset of -- of discussions with Rio about the --

4 A. (Witness nodding head.)

5 Q. Okay. Tell us about that.

6 A. I think we had -- we had for some time done  
7 business with Rio, potentially even provided -- I -- I  
8 don't want to speculate. They might have provided some  
9 intermediation on specific trades. We simply -- without  
10 having the large fixed asset base because we had sold  
11 the assets off, we didn't have as much assets to  
12 leverage for capital -- for the working capital for the  
13 business.

14 And secondly, management was spending a  
15 significant portion of its time with Gravity. So, the  
16 idea of having a working capital provider partner and  
17 also leaning on them for all of the back office  
18 infrastructure and operations made a lot of sense for  
19 us.

20 Q. So, tell us how -- how the Rio joint marketing  
21 agreement came about.

22 A. I don't know who brought it up first, but it  
23 probably would not have been -- I don't know if it was  
24 Rio or GCAC, but it probably would not have been me. It  
25 probably would have been AJ with either Patrick Perugini

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1 who at the time was a Rio employee or maybe Kale  
2 Krhovjak who's one of the partners there.

3 Q. Could you spell that last name for her?

4 A. I'm not sure I can. I know it's in another  
5 deposition. I'll -- I'll take a stab. K --

6 MR. GILES: I could get it at a break.

7 MR. BROUGHTON: Okay.

8 A. It's tough.

9 Q. (By Mr. Broughton) Yeah.

10 A. It's a lot of consonants.

11 Q. All right. Well, I believe you. Well, you did  
12 so well on that last name.

13 A. Well, I've known him for a little while.

14 MR. GILES: I'm writing a note to myself  
15 right now to get Kale's spelling. I know it starts with  
16 K-v. That's all I know.

17 Q. (By Mr. Broughton) So, under the -- the Rio  
18 joint marketing agreement, do you recall what -- you  
19 know, broadly what Rio's responsibilities were?

20 A. I don't recall specifically what's stated in  
21 the agreement, but --

22 Q. Uh-huh.

23 A. -- they -- they were involved in some of the  
24 trading decisions. They were involved in hedging  
25 decisions. They contracted most of if not all of the

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1 shipping we needed. They were the leaseholder for the  
2 Corpus terminal, and they provided all of the back  
3 office support and trade book accounting.

4 Q. And what were Gulf Coast -- GCAC's  
5 responsibilities under that, as you recall?

6 A. Also involved in purchasing decisions, my  
7 primary responsibility for relationships with purchasers  
8 of asphalt and selling and primary responsibility for  
9 blending decisions. And then both companies would work  
10 jointly on strategic ideas, whether to take on a new  
11 terminal space, an extra tank, things like that.

12 Q. So, was GCAC involved in the hedging decisions?

13 A. I -- I don't know. I imagine so.

14 Q. But you weren't involved.

15 A. I was not.

16 Q. Okay. So, what were you personally involved in  
17 with respect to the Rio joint marketing agreement?

18 A. Well, again, it started after I began my tenure  
19 with Gravity.

20 Q. Uh-huh.

21 A. So, very little on -- or nothing on a  
22 day-to-day basis. I would review the monthly and  
23 quarterly position reports from Rio.

24 Q. By "position reports," what do you mean?

25 A. They submitted full profit and loss for the --

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1 what we call the book, which is the business on a -- on  
2 a -- at a minimum a monthly basis and more frequently if  
3 requested, but had every aspect of the business  
4 purchases, sales, tank costs, shipping costs, demurrage,  
5 everything that goes into the profits and losses.

6 And then to the extent we looked at  
7 strategic opportunities, was it a better idea to  
8 continue the retail business in Corpus; or maybe at one  
9 point, we looked at selling that business off, keeping  
10 just the wholesale. We -- we would -- I would get  
11 involved in those kind of evaluations.

12 Q. So, do you remember that the GCAC/Rio joint  
13 marketing agreement began around February of 2016? Does  
14 that sound about right to you?

15 A. Yes. I believe that's when it was papered, but  
16 I think we had a relationship where we acted in a  
17 similar capacity that predated that.

18 Q. But you weren't really involved in it  
19 particularly because you were at Gravity or --

20 A. I think that's -- that's fair. I mean, I was  
21 certainly aware there was asphalt that was moving into  
22 the Gravity facility before 2016. But I -- I would say  
23 that 90 percent plus of my time was spent with Gravity,  
24 of my professional time.

25 Q. So, you said you looked at the position

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1 statements that Rio produced on a monthly basis.

2 A. Uh-huh.

3 Q. Was it making money or losing money?

4 A. We had both kinds of months.

5 Q. All right.

6 A. Yes.

7 Q. Overall all together by the end of the -- of  
8 that relationship, had it -- had it been in the plus or  
9 in the -- or in red?

10 A. I believe it was in the plus, but I don't know  
11 that for sure.

12 Q. Just don't remember one way or the other?

13 A. Don't remember. We had positive quarters, and  
14 we had negative quarters.

15 Q. Okay. Did you have discussions with people at  
16 Rio about the position statements?

17 A. Yes.

18 Q. Okay. Who would you talk to at Rio?

19 A. Probably mostly Andy Marlow, M-a-r-l-o-w.  
20 Also, I -- I forget her last name -- Crystal, who worked  
21 for Andy or -- or works for Andy.

22 Q. Were you involved at all in the -- negotiating  
23 the joint marketing agreement with Rio?

24 A. Yes.

25 Q. Okay. How would you -- how were you involved?

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1       A.    I mean, any significant legal agreement like  
2   that with GCAC, I -- I would be with -- with counsel.  
3   We would always have counsel, but I would be heavily  
4   involved in reviewing and commenting both on commercial  
5   terms as well as on legal matters.

6       Q.    So, that was even true even though 90 percent  
7   of your time was at Gravity at that point?

8       A.    For -- for an agreement like that, I'm sure I  
9   would have spent time with that, yes.

10      Q.    And do you recall who was negotiating it on  
11   behalf of Rio?

12      A.    I don't. It could have been a -- a few -- a  
13   couple of partners, plus perhaps Patrick would probably  
14   have a couple of the partners. There would have been --  
15   I would guess Kale Krhovjak and Bill Iglesias. They  
16   were the two partners we interacted with the most.

17      Q.    Okay. Krhovjak and Iglesias. Okay. And you  
18   said GCAC had -- had an outside counsel at that point.  
19   Do you recall who that was?

20      A.    So, I believe at that time, we would have had  
21   in-house counsel, Dave Hubenak, as well as -- we've had  
22   a relationship for a long time with an attorney who  
23   is -- at the time was with Kaye Scholer in New York.  
24   He's now with Baker McKenzie in New York. We still work  
25   with them.

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1 Q. What's his name?

2 A. Steven Canner. I -- I don't recall if there  
3 were additional outside counsel involved in reviewing  
4 that agreement.

5 Q. Okay. So, in negotiating that -- the Rio joint  
6 marketing agreement, that would have been primarily --  
7 on behalf of GCAC would have been primarily you and  
8 Mr. Brass?

9 A. Correct. And I'm sorry. And our in-house  
10 counsel.

11 Q. And your counsel. I wasn't -- I wasn't trying  
12 to leave them out.

13 A. Yeah.

14 Q. And at some point that JMA was terminated,  
15 correct?

16 A. Yes.

17 Q. And do you know -- why did that come about?

18 A. That's a big question. To start at the  
19 beginning, I guess, and --

20 Q. Sure.

21 A. -- then I'll ask you what you want to ask next.

22 Q. Okay.

23 A. The asphalt business is very difficult to hedge  
24 with financial instruments, and I believe that Rio  
25 became uncomfortable with how difficult it was to hedge.



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1 Therefore, it -- it was -- it didn't -- it was not able  
2 to be sheltered from commodity risk -- commodity price  
3 movement risk, and that was something they weren't  
4 accustomed to and didn't like that volatility.

5 Q. Okay. So, is asphalt from your experience  
6 peculiar in that regard?

7 A. A little bit. I'm not saying it's the only one  
8 like that --

9 Q. Uh-huh.

10 A. -- but there was no liquid tradeable asphalt  
11 market, only physical. So, most people, if they hedge  
12 asphalt, which is not always done, it's usually done  
13 with fuel oil primarily or perhaps heavy crude. So, in  
14 effect, it was called a dirty hedge; and it doesn't move  
15 in lockstep if -- if fuel moves up a dollar, it doesn't  
16 necessarily move that -- means that asphalt moves down a  
17 dollar.

18 Q. So, is that -- what you just told us, is that  
19 the reason asphalt is difficult to hedge?

20 A. Yes.

21 Q. Any other reasons besides those?

22 A. There's a -- there are so many grades of it. I  
23 suppose even if there was an asphalt hedgeable market,  
24 it wouldn't apply to -- you know, there would be dozens  
25 of grades that -- that wouldn't all follow in lockstep.

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1 But because you can't go short asphalt other than a  
2 physical commitment to provide it, it's very difficult  
3 to hedge.

4 Q. So, do you consider yourself an expert on  
5 asphalt hedging?

6 A. I don't know if anybody is, but I've had a lot  
7 of exposure to it, I suppose.

8 Q. Okay. And you got that kind of on-the-job  
9 training?

10 A. Yes.

11 Q. No experience before you came to Gulf Coast?

12 A. No.

13 Q. Okay. And from -- if I understood you  
14 correctly, from your understanding, Rio had not had much  
15 experience with the asphalt hedging and it -- it was of  
16 concern to them, right?

17 A. It became of concern I think when they realized  
18 how -- how difficult it was to match those two factors,  
19 the physical and the financial.

20 Q. Do you recall discussing that issue with  
21 anybody at Rio?

22 A. I don't recall specific discussions, but I know  
23 it was discussed. I was probably part of some meetings  
24 just talking about it, not that there was a solution but  
25 just about the fact that it was not a perfect hedge.

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1 Q. And who do you recall being involved in those  
2 discussions? You, Mr. Brass and who at Rio?

3 A. Probably Patrick and Kale.

4 MR. BROUGHTON: You know, you were looking  
5 at your watch. Are you ready for a break?

6 MR. GILES: Yeah. I was thinking we've  
7 been going a little more than an hour.

8 MR. BROUGHTON: That's fine, yeah.

9 MR. GILES: Is that all right?

10 MR. BROUGHTON: Yeah.

11 THE VIDEOGRAPHER: We're off the record at  
12 10:45.

13 (A recess was taken from 10:45 a.m. to  
14 11:07 a.m.)

15 THE VIDEOGRAPHER: We are on the record at  
16 11:07.

17 Q. (By Mr. Broughton) Mr. Goldstein, just before  
18 the break, you were telling us about Rio's discomfort  
19 with -- with the difficulty of -- of hedging asphalt,  
20 right?

21 A. Uh-huh.

22 Q. Now, Mr. Perugini -- does he say Perugini?

23 A. Perugini, yes.

24 Q. Yeah. He had been at Rio, right?

25 A. Yes.

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1 Q. Okay. And then he ultimately went to Gulf  
2 Coast; is that right?

3 A. Correct.

4 Q. Okay. So, at -- at Rio, he was an asphalt  
5 trader, right?

6 A. No. I think he would consider himself a fuel  
7 oil trader.

8 Q. Oh, okay.

9 A. He was involved in asphalt only to the extent  
10 of the work he did in this relationship. He also had a  
11 fuel oil business that I believe was a more significant  
12 business of his.

13 Q. So, at least from your understanding, he -- he  
14 had not been involved with asphalt before this joint  
15 marketing agreement, to your knowledge.

16 A. Except for the fact that I believe we did work  
17 with him under a similar structure prior to having the  
18 signed agreement. But before GCAC, I don't believe he  
19 had done asphalt.

20 Q. Okay. So, fuel oil is hedged, though, right?

21 A. It's -- it's more easily hedgeable.

22 Q. Yeah. I mean, it's -- that's pretty common,  
23 right?

24 A. Yes.

25 Q. So, how long -- do you remember at what point

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1 in time Mr. Perugini left Rio and went to work for GCAC?

2 A. It was very close to July 1st of '17. I might  
3 be off by a day or a weekend.

4 Q. And -- and do you know why he decided to go to  
5 work for GCAC?

6 A. He was excited about the new relationship with  
7 Vitol and the potential to be part of that.

8 Q. Was that what he told you?

9 A. Yes.

10 Q. Okay. And is he still at GCAC?

11 A. No.

12 Q. And when did he leave GCAC?

13 A. In March of this year.

14 Q. And did he tell you why he left?

15 A. The most -- yes.

16 Q. What did he say?

17 A. The most significant reason is that we  
18 currently work with Mercuria, as I mentioned, and our  
19 activities have been pretty much limited to asphalt.  
20 When he came onboard, he was interested in working with  
21 Vitol to expand GCAC's activities into crude oil, fuel  
22 oil and other niche -- niche business opportunities  
23 and -- which he had discussed with Vitol during the  
24 process. While the Mercuria agreement doesn't  
25 specifically prohibit it, they just haven't shown the

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1 same interest.

2 Q. And do you know what Mr. Perugini's been doing  
3 since March of 2019?

4 A. I know he went over there to trade fuel oil as  
5 his primary function. Other than that, I don't know.

6 Q. Went over where?

7 A. I'm sorry. To Macquarie.

8 Q. Okay. Yeah. Can you spell Macquarie for her,  
9 please?

10 A. M-a-c-q-u-a-r-i-e.

11 Q. So, back to kind of what led to our discussion  
12 about the difficulty of asphalt hedging, as I had  
13 started out by asking why the JMA with Rio was  
14 ultimately terminated, right?

15 A. Uh-huh.

16 Q. And -- and do you remember when it was  
17 terminated?

18 A. I -- I believe it was terminated on July 1st of  
19 '17, but formally there was no executed paperwork until  
20 January 11th of 2018.

21 Q. So, you -- you've said a couple of times that  
22 prior to the Rio joint marketing agreement being  
23 formally papered, Rio and -- and GCAC were doing  
24 business; is that right?

25 A. Yes.

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1 Q. Describe that for us if you would.

2 A. As far as I recollect, it was very similar to  
3 what we did after the relationship was papered. We were  
4 moving barrels through the Corpus facility asphalt  
5 barrels as early as 2015, and I believe we were moving  
6 barrels through the Mobile -- we -- we had leased  
7 tankage in Mobile as well at that time also in 2015.

8 Q. And was it -- do you think it was that -- I  
9 guess -- I assume that was in early 2015, anyway, that  
10 moving barrels through Corpus and Mobile -- Mobile was  
11 successful enough that -- that you decided to enter into  
12 a formal. Is that what led to the decision to have a  
13 formal agreement?

14 A. I believe so for -- for both sides. But just  
15 to correct one thing, if I may, Corpus would not have  
16 started until late 2015. I believe Mobile started  
17 earlier than that.

18 Q. So, on the -- on the termination, did the --  
19 did the business with Rio actually stop on July 1, 2017,  
20 even though it wasn't papered until later, if you know?

21 A. Yeah, sure. I will tell you that us and I  
22 believe Rio both believed that Rio was out of the  
23 business as a business, but they had to stand in the  
24 middle of certain transactions until -- because they  
25 still held the lease in Corpus.



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1                   So, when Vitol would purchase a barrel  
2                   into the Corpus facility, it would sell it to Rio. So,  
3                   Rio was the inventory holder because they were the  
4                   tenant. But they would also enter into a repurchase  
5                   agreement, essentially a forward purchase agreement so  
6                   that when it left the facility, Vitol had to repurchase  
7                   it at the same price. So, Rio kind of held a  
8                   placeholder role, if you will. But I believe and -- and  
9                   they believe that they were completely out of the  
10                  profits and losses of the business.

11                Q.     As of July 1, 2017.

12                A.     Yes.

13                Q.     Okay. Okay. So, I take it from -- from what  
14                  you've explained earlier that from GCAC's standpoint, it  
15                  was perfectly happy with the Rio JMA.

16                A.     Yes. I think we were excited about the  
17                  opportunity that we believed we had with Vitol as  
18                  opposed to Rio.

19                Q.     Uh-huh.

20                A.     Because there was more stuff that Patrick and  
21                  Eric Kuo wanted to do than we could do with Rio, which  
22                  is a much smaller shop, but we were happy.

23                Q.     So, it -- it was 100 percent Rio's idea to  
24                  terminate the JMA, right?

25                A.     They initiated those discussions, yes.

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1 Q. Okay. Okay. So, do you remember how long  
2 the -- the Rio JMA was in effect?

3 A. I -- I recall that the signed agreement was  
4 early '16.

5 Q. February of 2016, right?

6 A. I think that's right.

7 Q. Yeah.

8 A. Again, I believe they started operations sooner  
9 than that. I believe we ceased operations under that  
10 agreement on July 1st but that we did not sign a  
11 termination of that agreement until January 11th of '18.

12 Q. So, from February 2016 to July of 2017, how far  
13 into it did it go -- the best that you can recall, when  
14 was the first time Rio started expressing concern about  
15 the difficulties of asphalt hedging?

16 A. It was in the winter. I can't remember if it  
17 was late, get my math right, '16 or early '17. But as I  
18 recall, there was a time period where asphalt prices  
19 were unusually low relative to fuel oil, which is bad  
20 for this business and if you're hedging with fuel oil.  
21 So, they -- they grew uncomfortable with that. We  
22 viewed that as a -- as a time to double down, if you  
23 will, and purchase more asphalt. They disagreed; and  
24 that was kind of the start of, hey, maybe this isn't the  
25 right relationship.

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1 Q. So, that would have been the Winter of 2017.

2 A. Late '16, early '17, yes.

3 Q. Okay.

4 A. That winter.

5 Q. All right. And then from that point on, it was  
6 just a matter of time before -- then they pretty much  
7 gave notice and --

8 A. I -- I don't recall --

9 Q. Yeah.

10 A. -- exactly when. They would have probably  
11 called AJ and said, hey, we really would like you to  
12 find someone else to fill our shoes. I don't recall  
13 when that happened.

14 Q. And once that happened, when you -- when you  
15 and Mr. Brass came to the realization, hey, Rio is -- is  
16 exiting, what -- what did you do in response?

17 A. Well, first of all, I don't believe that Rio  
18 had a right to just pull the plug, but, you know, we  
19 wanted to help them achieve what they wanted, and we  
20 weren't -- we didn't necessarily want to be in a  
21 long-term relationship with somebody who didn't want to  
22 be in that long-term relationship. So, we were happy to  
23 explore other opportunities, and AJ very quickly  
24 identified Vitol as somebody he thought we could work  
25 with post Rio.

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1 Q. So, your recollection is it was his idea to  
2 reach out to Vitol?

3 A. Probably. We had had multiple discussions with  
4 Vitol for years on related matters.

5 Q. Uh-huh.

6 A. So, it was -- it was a logical thought. But I  
7 think he -- it was probably his idea and he was probably  
8 the first person to speak to Vitol about it.

9 Q. Do you know who he spoke to first?

10 A. I don't. I would strongly guess Eric Kuo,  
11 but --

12 Q. Is Eric Kuo somebody -- and that's K-u-o. Is  
13 that somebody you already knew?

14 A. Yes.

15 Q. How did you know Mr. Kuo?

16 A. Known him for a long time. First material  
17 interactions I can recall were probably in the 2014 time  
18 frame, and we looked at putting together a similar  
19 profit share type relationship in place that they  
20 ultimately decided not to do with us and did a  
21 similar-ish transaction that became VALT.

22 Q. And so, you and -- and Mr. Brass had been  
23 talking with -- with Kuo back in 2014 about a --

24 A. It might have been '13, but I think it was '14.

25 Q. Okay.

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1 A. Yeah. Yes.

2 Q. All right. And then ultimately from your  
3 understanding, Vitol decided to do that with VALT.

4 A. Yes. And it wasn't the exact same business,  
5 but it was similar. Sargeant Marine which was the VALT  
6 Partner --

7 Q. Uh-huh.

8 A. -- was more -- more in the asphalt shipping  
9 side. We were more in the asphalt blending side.  
10 Sargeant Marine was both a customer and a competitor.  
11 So, it was -- it was similar, but not -- I can't say it  
12 was the same deal. And I actually have no idea what  
13 their deal was, so...

14 Q. All right. And after those discussions with  
15 Mr. Kuo back in either 2013 or 2014, did you continue to  
16 have some contact with him in 2015, 2016?

17 A. Yes. So, the -- he was involved. Really it  
18 wasn't as much of a point person. When we at Gravity --  
19 not -- not my GCAC capacity -- Gravity were in the  
20 process of purchasing the facility in Corpus, we talked  
21 to Vitol about being a tenant of that facility.

22 Q. Of the BTB that became GOTAC?

23 A. Correct.

24 Q. Was that you who talked to them about -- talked  
25 to Vitol about it?

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1           A.     It would have been most of our senior team, but  
2     I was -- I was one of them, yes.

3           Q.     Okay. And was that with Mr. Kuo or with  
4     somebody else?

5           A.     And Steve Barth.

6           Q.     Okay.

7           A.     Probably on that particular item, probably  
8     Steve Barth more.

9           Q.     And that would have been in '15 or '16, you  
10    think?

11          A.     We purchased it in the middle of '15. I -- I  
12    think it's likely we started discussions before the  
13    actual acquisition occurred and -- and probably after as  
14    well, so, 15 plus or minus.

15          Q.     Okay. And was Steve Barth -- and that's  
16    B-a-r-t-h -- somebody you already knew also?

17          A.     Yes.

18          Q.     And how did you know Mr. Barth?

19          A.     I don't remember how I initially met him. But  
20    the first significant commercial interaction was when I  
21    was at Blossom Street Capital. Vitol was a client, and  
22    Steve Barth and another gentleman named Rob James, who's  
23    no longer with Vitol, were my primary contacts for that  
24    consulting project.

25          Q.     So, Blossom Street was doing work for Vitol?

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1 A. Uh-huh.

2 Q. Did you get along with Mr. Barth well at that  
3 time?

4 A. Yes.

5 Q. Okay. So, going forward to when Rio started  
6 making noise like they wanted out --

7 A. Uh-huh.

8 Q. -- you believe that Mr. Brass reached out to  
9 Vitol?

10 A. I believe so.

11 Q. Okay. But you weren't -- you don't remember  
12 being part of that initial reaching out or you do?

13 A. I -- I probably was not. It may have been  
14 Patrick involved in it as well, because -- because  
15 Patrick was joining GCAC as part of this transaction, he  
16 was -- those three were talking all the time, I -- I  
17 believe.

18 Q. Okay. But I mean, Patrick wouldn't have been  
19 thinking about joining as part of this transaction until  
20 there obviously had been some discussions with Vitol,  
21 right?

22 A. Possibly. It's possible that AJ and Patrick --  
23 because I -- I think AJ really liked Patrick and wanted  
24 him to join, it's possible that they -- you know, the  
25 two of them talked about approaching Vitol as a --

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1 together. I don't know.

2 Q. Have you read Mr. Perugini's --

3 A. I -- I did at the time it came out, and I have  
4 not looked at it since then.

5 Q. When do you recall your first involvement with  
6 discussing this possible transaction with Vitol?

7 A. Roughly March of '17. It's possible I'm off by  
8 a month.

9 Q. And around that time, who was it you recall  
10 having contact with at Vitol?

11 A. Well, initially, I probably -- I probably would  
12 not have been very involved in the initial discussions  
13 until we got to the point of all the parties want to do  
14 a deal and let's start to put something on paper. But  
15 it would have been Eric Kuo as the main point person. I  
16 probably attended one or two meetings with him, I'm  
17 guessing.

18 Q. Was -- was Vitol the only kind of replacement  
19 company that y'all looked at?

20 A. If -- if we talked about any others, it was not  
21 to a great degree. Vitol quickly rose to the surface,  
22 and I -- I can't even recall another party that we  
23 talked to. I can't say we didn't but no meaningful  
24 other conversations.

25 Q. And did y'all use a broker or --



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1 A. No.

2 Q. Okay.

3 MR. GILES: Ken, I believe that in our  
4 first few depositions, we -- we consecutively numbered  
5 exhibits. I don't know if you want to continue that --

6 MR. BROUGHTON: I would love to do that if  
7 you will go grab them.

8 MR. GILES: Yeah.

9 MR. BROUGHTON: I would actually love to  
10 do that. And, you know, I'm blaming it on Mason. He's  
11 a first year lawyer. I didn't think to tell him to do  
12 that.

13 MR. GILES: Yeah. No problem. Let's go  
14 off the record a minute, and I'll go get the numbers.

15 MR. BROUGHTON: Yeah. I would love to do  
16 that.

17 MR. GILES: Yeah.

18 MR. BROUGHTON: We're off the record at  
19 11:29.

20 (A recess was taken from 11:29 a.m. to  
21 11:42 a.m.)

22 THE VIDEOGRAPHER: We are on the record at  
23 11:42.

24 Q. (By Mr. Broughton) Mr. Goldstein, if you could  
25 take a look at what's been previously marked as Brass

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1 Exhibit 10.

2 A. Okay.

3 Q. Do you recognize this document?

4 A. It looks -- yes -- yes.

5 Q. Okay. Do you think this is something you would  
6 have been involved in preparing?

7 A. Yes, I probably would have had primary  
8 responsibility for preparing this.

9 Q. Okay. And if someone did assist you, who do  
10 you think that might have been?

11 A. It probably would have been AJ on some of the  
12 qualitative aspects, and it may have been people at Rio  
13 on some of the quantitative aspects. And -- and AJ, on  
14 some of the quantitative for the best case proformas, he  
15 would have opined on those assumptions.

16 Q. So, were people from Rio involved in making the  
17 presentation to Vitol?

18 A. I don't think they were involved in the  
19 presentation, but they wanted to help us to get that  
20 done because this was a transaction Rio wanted to do as  
21 an entity and Patrick wanted to do for his own personal  
22 reasons.

23 Q. So, from your perspective, did you feel like --  
24 well, let me ask you this: Even though Rio wanted to  
25 terminate, did you feel like the relationship was still

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1 a fairly positive one?

2 A. Yes. I mean, I think that -- as I mentioned,  
3 that winter was -- that -- where asphalt and fuel  
4 diverged, and pricing was stressful and we had some  
5 disagreements about the best course of action. But  
6 overall, I would answer that yes.

7 Q. And I guess obviously Rio would have -- was  
8 more than happy for you to find somebody to take their  
9 place.

10 A. That's what they wanted.

11 Q. Yeah. Okay. And do you recall who at Vitol  
12 this presentation was made?

13 A. It was probably made for -- Eric Kuo was the  
14 primary recipient. But I -- I don't know if other  
15 people -- I can't remember if other people received it  
16 by e-mail or -- or were in an actual presentation that  
17 went through this.

18 Q. You don't remember one way or the other.

19 A. I don't remember, but I think at this time we  
20 believed that Eric would be the key decision-maker on  
21 this.

22 Q. Okay.

23 A. He would have been the -- the intended  
24 audience.

25 Q. All right. So, and -- and sitting here today,

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1 you can't recall if it was -- if this was merely sent as  
2 an e-mail or if everybody got together and put it up on  
3 the screen and looked at it?

4 A. I would guess both, but I don't recall.

5 Q. Okay. So, as we look through Brass 10, the  
6 third page which has this Bates number on the lower  
7 right-hand corner, Vitol 74469 --

8 A. Yes.

9 Q. -- if I understood you correctly, you believe  
10 that that financial information probably would have been  
11 provided by Rio; is that right?

12 A. They certainly would have had a hand in helping  
13 us to prepare this information. I'm sure that I created  
14 this table and initially populated it and may have  
15 needed some assistance on some of the hedging inputs.

16 Q. Because as you said earlier, they were doing  
17 the accounting and preparing the position statements,  
18 right?

19 A. Correct.

20 Q. Okay. If we go to the next page which is Vitol  
21 74470 --

22 A. Yes.

23 Q. -- this first bullet point says, Traditionally,  
24 solid margin business buying asphalt blend stocks below  
25 fuel oil and selling above fuel -- fuel oil. Do you see

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1 that?

2 A. Yes.

3 Q. Is -- is that a bullet point you think you  
4 probably would have formulated or you think Mr. Brass  
5 may have?

6 A. I can't recall. I really -- I really have no  
7 idea.

8 Q. If we go to the next chart there at Vitol  
9 74471, this chart's probably prepared by you?

10 A. I think we would have had the data to do this  
11 ourselves, yes.

12 Q. Okay. And you would have just gotten that off  
13 of some publicly reported data, do you think or --

14 A. Sort -- sort of. So, we keep a database weekly  
15 of fuel and asphalt data. There's no Bloomberg type  
16 service for asphalt because, again, it's not a hedgeable  
17 product. So, we subscribe to a monthly newsletter that  
18 has asphalt prices or estimates of asphalt prices in  
19 different regions, and we manually input that into our  
20 own database system.

21 Q. And what's the name of that monthly --

22 A. Poten, P-o-t-e-n.

23 Q. And we go to the next page which is 74472,  
24 entitled Base Case Pro Formas.

25 A. Uh-huh.

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1 Q. And would you have been the person to prepare  
2 this?

3 A. Yes.

4 Q. And, again, you think this was largely from  
5 information provided by Rio?

6 A. No. I would say that this either was  
7 information that I knew. For example, terminal fees in  
8 Corpus were a known fact under the Rio Pin Oak lease,  
9 and margin assumptions probably would have been -- most  
10 of my guidance for that probably would have been  
11 provided by AJ. They may have possibly commented on  
12 some of the -- the heat, and COM is cost of money or --  
13 or TBM is -- Vitol calls it.

14 Q. Uh-huh.

15 A. Because, again, they were keeping those books,  
16 but they would not have been heavily involved in this  
17 page, I don't think.

18 Q. And why would Mr. Brass have been the one to  
19 comment on the margins?

20 A. Well, he's -- he's been in the asphalt business  
21 for 30-some-odd years, and he's one of our -- even  
22 though he's the president, he's one of the traders as  
23 well. So, he's just more commercially in touch with  
24 trades and margins than -- in his role than in mine.

25 Q. In looking at this Base Case Pro Forma and

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1 going, you know, forward to -- you know, with hindsight,  
2 how -- how do you feel like it's turned out?

3 A. Well, I think it's a good estimation of our  
4 business as it stands. I think it's a good estimation  
5 of what is very close to what we actually did in 2018.  
6 I think there's obviously a lot of confusion around what  
7 happened in 2017. So, I don't even know exactly what to  
8 compare this against because there's things we're  
9 sitting here figuring out.

10 Q. Uh-huh.

11 A. But this is very close to what we did in '18,  
12 and it's -- it's probably a good approximation of what  
13 we expect to do in '19.

14 Q. Okay. So, you feel like under the Mercuria  
15 in -- in 2018, this -- this turned out to be --

16 A. The end result, yes. I -- I would have to look  
17 back at each of the assumptions because maybe we did  
18 more wholesale and less retail.

19 Q. Okay.

20 A. But the total sum here where it talks about 5.8  
21 million was very close.

22 Q. And is hedging included in any of these  
23 categories?

24 A. I don't see it, and it probably wouldn't be,  
25 because you really -- even though we're usually going to

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1 have a gain or a loss from hedging, you don't generally  
2 know which it's going to be. So, you probably wouldn't  
3 budget for it, and it looks like we didn't.

4 Q. Okay. So, hedging is not something normally  
5 you would budget for, at least not in -- is -- is that  
6 particular to asphalt or just in general?

7 A. I think it's in general if you're -- if  
8 you're -- unless you're -- perhaps if you're hedging  
9 something perfectly and you just have brokerage costs  
10 associated, you might -- you might budget in the  
11 brokerage costs. But in terms of how much the hedges  
12 themselves make or lose, I don't know that people would  
13 budget that, because if you really knew that, you'd  
14 probably just trade.

15 Q. Yeah. So, this very last page says  
16 Miscellaneous and VALT.

17 MR. BROUGHTON: Just so you know, VALT is  
18 all caps, V-A-L-T.

19 Q. (By Mr. Broughton) So, do you recall why you  
20 included this last page?

21 A. Sure. We were -- we were familiar with VALT.  
22 We had done business with them at this time. As I  
23 mentioned, they were a customer and also a competitor  
24 and we saw the potential for there to be additional  
25 opportunities in how we could work with VALT.



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1                   We -- we had one ship under charter that  
2                   we were happy to not have under charter, and VALT had  
3                   many ships. So, we thought there could be some synergy  
4                   in transferring that charter and then perhaps some  
5                   longer term supply deal instead of the spot deals we had  
6                   historically operated under with them.

7           Q.     This last phrase in the last bullet point, he  
8           says, and not competitive. Vitol had raised some  
9           concerns about VALT viewing it as competitive, right?

10          A.     Yes.

11          Q.     And tell us about when you recall that first  
12          being brought up.

13          A.     Well, I would have only have heard about it  
14          through AJ, not -- not to me directly. But somewhere in  
15          the late July or August time frame, I came to be aware  
16          through AJ again that VALT was unhappy that this  
17          transaction happened and -- and viewed it as  
18          inappropriate given their -- given the VALT  
19          relationship.

20          Q.     And what -- what exactly do you recall  
21          Mr. Brass telling you about that?

22          A.     Initially he told me he talked to Eric and they  
23          were -- VALT was unhappy, but it was going to be okay  
24          and they would work through it. And then over a period  
25          of a few weeks, I recall conversations going from there

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1 slowly to, hey, it's more of a problem than we thought.  
2 And then the next step was they suggested that we sit  
3 down with VALT and see if we could resolve it through  
4 some type of a -- agreed upon relationship.

5 Q. And did that -- did that last part happen,  
6 sitting down with VALT?

7 A. AJ I believe either met -- I think he met with,  
8 but it may have just been over the phone talked to Dan  
9 Sargeant who's one of the senior people with VALT. And  
10 there were ideas or e-mails exchanged, but they were  
11 unsuccessful.

12 (Brief interruption.)

13 (Discussion off the record for less than  
14 one minute.)

15 Q. (By Mr. Broughton) So, prior to May 16th,  
16 2017, had -- had you been -- you, yourself, been talking  
17 with Mr. Kuo and Mr. Barth about this deal?

18 A. Certainly Mr. Kuo. I don't remember the extent  
19 to which Mr. Barth was involved in these particular --  
20 he would have been involved in the -- he was involved in  
21 the legal document --

22 Q. Uh-huh.

23 A. -- the JMA we refer to. In terms of, hey,  
24 should we do this business together or not, that would  
25 have been more Eric.

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1 Q. Okay. So, I had asked the original question  
2 about the -- the noncompetitive because, I mean, this is  
3 May of 2017.

4 A. Uh-huh.

5 Q. It -- it seems like perhaps that was a concern  
6 in May or you wouldn't have put this in the PowerPoint,  
7 right?

8 A. I think we were concerned about whether it  
9 would be an issue for Vitol or not, but we were assured  
10 it was not from the -- from the VALT detail standpoint.

11 MR. GILES: Can we go off the record?

12 MR. BROUGHTON: Sure.

13 THE VIDEOGRAPHER: We're off the record at  
14 11:57.

15 (Exhibit Number 18 was marked for  
16 identification.)

17 (A recess was taken from 11:57 a.m. to  
18 12:01 p.m.)

19 THE VIDEOGRAPHER: We are on the record at  
20 12:01.

21 Q. (By Mr. Broughton) Mr. Goldstein, you've got  
22 what's been marked as Exhibit 18 in front of you which  
23 the attachment is the same --

24 A. Okay.

25 Q. -- as the Exhibit 10 we were just looking at.

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1 And this is just a cover e-mail, right?

2 A. Uh-huh. Yes.

3 Q. It looks like the bottom half of the e-mail you  
4 sent Mr. Perugini, you know, a copy of this  
5 presentation, right, on July 19th of 2017?

6 A. That's what it looks like, yes.

7 Q. And did you -- did you know he was going to  
8 forward it on to --

9 A. I have no recollection of even sending it to  
10 Patrick. Obviously I did --

11 Q. Sure.

12 A. -- but I just don't recall.

13 Q. Okay. And you'll notice at the top he says,  
14 Eric, I think this is what you sent VALT. We were happy  
15 to have a further conversation with them. Let me know  
16 if you need anything else, right? Just kind of along  
17 the lines of what you just testified about a second ago,  
18 right?

19 A. Right.

20 Q. So, you never talked to VALT, but you just  
21 believe Mr. Brass had some calls, e-mails and maybe a  
22 meeting. You don't know one way or the other.

23 A. Correct that I never talked to VALT. I'm  
24 not -- AJ, at some point, spoke to Dan Sargeant. I  
25 don't recall how often or -- or in person versus phone

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1 calls, but he spoke to him about it.

2 Q. And Mr. Brass communicated to you that VALT was  
3 not happy with the -- with the idea of the agreement.

4 A. Mr. Brass told me that Eric Kuo told him that.

5 Q. So, no one -- to your understanding, no one at  
6 VALT directly told that to Mr. Brass?

7 A. Not initially. The initial awareness of the  
8 VALT problem, my recollection is AJ told me that Eric  
9 made him aware of that.

10 Q. Okay.

11 (Exhibit Number 19 was marked for  
12 identification)

13 Q. (By Mr. Broughton) I'll hand you what's been  
14 marked as Exhibit 19. Look through that.

15 A. (Witness peruses document.) Okay.

16 Q. All right. Exhibit 19 is an e-mail from you to  
17 Steve Barth with a copy to others, January 19, 2015,  
18 subject line, Gravity Proposal. Do you see that?

19 A. Yes.

20 Q. Do you remember this e-mail at all?

21 A. Not specifically, only in that we were talking  
22 to a number of potential customers. But I know we had  
23 meaningful discussions with Vitol around this. So, this  
24 makes -- this makes sense to me, I guess.

25 Q. Okay. And -- and what do you recall generally

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1 was going on in January of 2015 with regard to Gravity's  
2 proposal to Vitol?

3 A. Again, we were talking to a lot of people. We  
4 were just trying to get customers. Vitol at the time  
5 believed that there was a robust business to bring light  
6 crude or condensate through Corpus Christi and was  
7 interested in talking to us -- excuse me -- talking to  
8 us about taking out storage at our facility to do that.

9 Q. And you had -- you said Vitol believed that  
10 based on discussions you had with Mr. Barth?

11 A. Primarily, yes.

12 Q. Did -- did any of this come about that's --

13 A. No, none of it.

14 Q. Okay. And do you know why?

15 A. What -- what we were told is that they felt the  
16 market had changed too much, was not as --

17 Q. Vitol did?

18 A. Vitol felt the business they were trying to  
19 bring through, there was not as robust of a market as  
20 when we initiated discussions with them. So, their  
21 interest tapered off.

22 (Exhibit Number 20 was marked for  
23 identification and subsequently  
24 withdrawn.)

25 Q. (By Mr. Broughton) So, the court reporter will

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1 keep all these, just so you know.

2 A. Okay.

3 Q. Sometimes the witnesses try to bundle them up  
4 and take off with them.

5 A. No thanks.

6 Q. Let me know when you've had a chance to look  
7 through this.

8 A. (Witness peruses document.) Okay. I can't  
9 tell you I've memorized every detail in here, but  
10 I've -- I've got the gist.

11 Q. All right. Great. So, do you recognize  
12 Exhibit 20?

13 A. Similarly --

14 MR. BROUGHTON: I just see he's marked --  
15 this was Brass 2. Is that right?

16 MR. MASON: Yes.

17 MR. BROUGHTON: Let's -- let's change it.  
18 Yeah, sorry. I didn't -- you're a left-hand writer.  
19 I'm only just looking to the right. Yeah, sorry.  
20 Everything's his fault again.

21 MR. GILES: Yeah. That's the way it  
22 works, man.

23 Q. (By Mr. Broughton) Okay. So, everything I've  
24 just said about Exhibit 20, we're going to call it  
25 Number 2. Okay?

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1 All right. So, do you think you had any  
2 assistance in drafting Exhibit 2?

3 A. The one you just showed me?

4 Q. Yeah.

5 A. Yes.

6 Q. Well, I took it back, didn't I?

7 A. Yes.

8 Q. Yeah. Okay. So, let's -- yeah. Here it is  
9 right here.

10 A. Thank you.

11 Q. You got it back.

12 MR. GILES: Lunch is ready whenever we  
13 are, but it's sandwiches and salads. So --

14 MR. BROUGHTON: Okay.

15 MR. GILES: -- it's not hot. We can go as  
16 long as you want and break whenever we want. It's up to  
17 you guys.

18 MR. BROUGHTON: Yeah. I'll finish up. I  
19 don't think this will be long --

20 MR. GILES: Okay.

21 MR. BROUGHTON: -- and then we'll take a  
22 break. Perfect.

23 MR. GILES: All right. So, this is Brass  
24 2?

25 MR. BROUGHTON: 2. Brass Number 2.



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1 MR. GILES: Not Exhibit 20.

2 MR. BROUGHTON: Not Exhibit 20.

3 Q. (By Mr. Broughton) All right. So, it looks to  
4 me, Mr. Goldstein, as -- as probably the attachment was  
5 something not tailored to this e-mail to Steve Barth and  
6 Rob James but was maybe just kind of a general marketing  
7 piece that you might have sent to others, or do you  
8 think you tailored it just for this?

9 A. I -- I imagine it was tailored for Vitol.

10 Q. Okay. And would this have been something you  
11 composed yourself or input from others or you don't  
12 recall?

13 A. Probably composed with input from others.  
14 Probably the last page with the yields was provided to  
15 me by either AJ Brass or Kenny Hucker.

16 Q. And so, is this more of a -- of the  
17 continuation of the marketing of the lease space effort  
18 that we looked at or was this a bit broader concept?

19 A. I would say it's just different. So, this one  
20 was purely around -- the one we just discussed  
21 previously was around light crude and condensate --

22 Q. Uh-huh.

23 A. -- as an opportunity. And I would view this as  
24 a different opportunity at the same facility for heavy  
25 crudes to manufacture asphalt and other refinery

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1 intermediate products.

2 Q. But similar to the immediately preceding  
3 exhibit, this is more marketing efforts by Gravity for  
4 its terminal.

5 A. Correct.

6 Q. For the GOTAC terminal, right?

7 A. Yes.

8 Q. Okay. And so, do you think you had talked with  
9 Mr. Barth and Mr. James, and they knew this was coming  
10 or out of the blue?

11 A. Most likely.

12 Q. Okay.

13 A. I don't recall.

14 Q. And it seems like maybe from that third  
15 paragraph, it says, Also, we were happy to have a caller  
16 meeting with Eric Kuo. It seems like perhaps maybe his  
17 name had been mentioned some previous discussion or --

18 A. Sure. So, unlike the -- the light crude  
19 condensate, which I believe was the month before --

20 Q. Uh-huh.

21 A. -- which really wouldn't fall into Eric Kuo's  
22 domain, the products being made here under processing  
23 heavy crude would fall more under his domain. So, while  
24 Steve Barth was involved in both discussions, he  
25 probably needed Eric Kuo's input to assess this second

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1 one.

2 Q. Okay. And do you recall if you had any  
3 communications or further discussions with anyone at  
4 Vitol about what -- what you proposed here in Exhibit 2?

5 A. I'm -- I'm sure we had fairly meaningful  
6 discussions. I don't remember them all. But they were  
7 a party that took a significant look at the asphalt  
8 processing business there.

9 Q. All right. And --

10 A. Heavy crude processing. Sorry.

11 Q. Right. And so, I mean -- and is it that  
12 nothing came of this for the same reason you've told us  
13 about earlier, is that Vitol lost interest in the  
14 condensate, et cetera?

15 A. Not necessarily for the same reasons.

16 Q. Okay.

17 A. I believe the condensate was purely market  
18 driven. I'm not -- I can't recall why they didn't want  
19 to go forward with this heavy crude asphalt, with the  
20 exception that because of the troubles I mentioned with  
21 hedging asphalt, it's hard to predict -- it's harder to  
22 predict the margins out of the heavy crude processing  
23 business than through-putting condensate. So, it may  
24 have just been a risk appetite. I don't really know.

25 MR. GILES: Are you getting hungry?

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1 THE WITNESS: I'm fine.

2 MR. BROUGHTON: Oh, we're almost ready,  
3 yeah.

4 Q. (By Mr. Broughton) So, you referred to here in  
5 the second page, it's -- I got the Bates Number 649, in  
6 the lower right-hand corner.

7 A. Okay.

8 Q. There under asphalt marketing, the second  
9 paragraph next to the last line, the second paragraph,  
10 it says, Gravity's affiliate GCAC.

11 A. Uh-huh.

12 Q. Why did you use the affiliate term there?

13 A. I don't know why I used that particular term,  
14 but obviously as we had similar management teams at both  
15 companies. We -- we knew that Vitol at least in Houston  
16 and North America did not have that asphalt expertise.  
17 So, we were offering up if they were interested in  
18 taking asphalt to capacity for -- to partner with GCAC,  
19 while -- while being very clear that they -- they could  
20 sign a deal with Gravity and not be required to work  
21 with GCAC.

22 MR. BROUGHTON: All right. Let's take our  
23 lunch break.

24 THE VIDEOGRAPHER: We're off the record at  
25 12:15.

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1 (A lunch recess was taken from 12:15 p.m.  
2 to 12:53 p.m.)

3 THE VIDEOGRAPHER: We are on the record at  
4 12:53.

5 Q. (By Mr. Broughton) Mr. Goldstein, if you would  
6 go back to Exhibit 18, it should be in there somewhere.

7 A. Okay. I remember it.

8 Q. We're at the PowerPoint, and if you'll turn to  
9 the historical margins.

10 A. Okay.

11 Q. Were -- would hedging transactions be reflected  
12 in the historical margins?

13 A. I believe so.

14 Q. Okay.

15 A. I -- I don't remember performing the  
16 calculations, but I would think so.

17 Q. All right. And the hedging was actually done  
18 by Rio or by GCAC?

19 A. Well, the placing of the hedges --

20 Q. Yeah.

21 A. -- that's something Rio did.

22 Q. Okay.

23 A. The discussions about the hedges were something  
24 that would happen between probably Patrick and AJ at the  
25 time.

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1 Q. Not you.

2 A. Not me.

3 Q. Okay. So, that would have been -- to the best  
4 of your understanding, the -- the discussions about the  
5 hedging strategies would have been a combination of  
6 Patrick and Mr. Brass; is that right?

7 A. Yes. I think AJ would rope me in if -- for  
8 ideas and general strategy. But on a day-to-day basis,  
9 a week-to-week basis, taking hedges off and on to roll a  
10 June hedge into a July hedge, I wouldn't have been  
11 involved with that.

12 Q. And why not?

13 A. Just a -- it's more of a smaller trader  
14 decision than a, hey, should we stop hedging against  
15 fuel and hedge against crude. That might be a more of a  
16 long-term analytical decision that I might get involved  
17 in.

18 Q. That's it for that one.

19 (Exhibit Number 20 was marked for  
20 identification)

21 Q. (By Mr. Broughton) Now we'll get to the real  
22 Exhibit 20.

23 A. (Witness peruses document.) Okay.

24 Q. All right. This -- have you -- do you recall  
25 ever seeing this before?

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1           A.     I recall working on analyses like this. This  
2     is one of many iterations; so, I don't think it was the  
3     final iteration.

4           Q.     So, you think you participated in the  
5     preparation of -- of this analysis?

6           A.     I believe so.

7           Q.     Okay. And who else would have worked on this  
8     in addition to yourself?

9           A.     From GCAC's side, AJ would have given me input  
10    as to what he thought was appropriate. And then I might  
11    have conferred with John Tomaszewski or Karen Caldwell  
12    in an accounting function about benefits as a percent of  
13    salary or confirming base salaries or something like  
14    that.

15          Q.     And so, it appears Mr. Brass sent this to  
16    Mr. Barth; is that right?

17          A.     That's what it looks like, yes.

18          Q.     Okay. So, you were -- you were definitely only  
19    seeing -- in this analysis, you're really only  
20    forecasting profits, not -- not really seeing a  
21    possibility of loss?

22          A.     Well, I wouldn't -- I wouldn't even call this a  
23    forecast because I think if you look at the second  
24    section of this table --

25          Q.     Uh-huh.

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1 A. -- it's just hypothetical profit margins.

2 Q. Okay.

3 A. Right. 358 which was the -- which came from  
4 that prior analysis we had here today --

5 Q. Uh-huh.

6 A. -- that was kind of our base case, a 10 and a  
7 20, and just what would -- what would those scenarios  
8 mean for each party. I don't think that means the  
9 20 million was our projection.

10 Q. Right. Okay.

11 (Exhibit Number 21 was marked for  
12 identification)

13 A. (Witness peruses document.)

14 Q. (By Mr. Broughton) Okay. And I know you told  
15 us in response to Exhibit 20 that that Exhibit 20 was  
16 just one of several iterations and you do not believe it  
17 was the final, right?

18 A. That's correct.

19 Q. Okay. And so, this is -- is a different --  
20 somewhat of a different analysis of part of what we  
21 looked at in 20, right?

22 A. Yes.

23 Q. Really just focused on the -- on the personnel,  
24 right?

25 A. Yes.



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1 Q. Okay. And --

2 MR. GILES: Objection, form. Go ahead.

3 MR. BROUGHTON: I'm not trying to -- to do  
4 anything --

5 MR. GILES: I know.

6 MR. BROUGHTON: Yeah.

7 MR. GILES: And if you want me to  
8 explain --

9 MR. BROUGHTON: Yeah, go ahead and  
10 explain.

11 MR. GILES: What I thought you were saying  
12 was that the -- the section that is -- deals with  
13 salaries is different from the previous one we looked  
14 at, and I don't think it is, but --

15 MR. BROUGHTON: Oh, no.

16 MR. GILES: You were saying --

17 MR. BROUGHTON: Yeah. I wasn't trying to  
18 say -- I was just saying that the other one included --

19 MR. GILES: A different part.

20 MR. BROUGHTON: -- two different, yes.

21 MR. GILES: And I think that's what you  
22 meant but it was a little unclear --

23 MR. BROUGHTON: Sure. Okay.

24 MR. GILES: -- so that's all I'm saying.

25 MR. BROUGHTON: Yeah. Yeah.

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1 Q. (By Mr. Broughton) Right. And so, in -- in  
2 Exhibit 21, which is dated June 30, 2017 --

3 A. Uh-huh.

4 Q. -- by this point in time, the analysis is  
5 labeled Vitol/NewCo, right?

6 A. Uh-huh.

7 Q. And whose idea was it to have the party be  
8 NewCo as opposed to GCAC?

9 A. I believe I initiated that idea.

10 Q. And -- and what was your thought on that?

11 A. GCAC's been around for roughly 30 years and has  
12 history and ownership subsidiaries, and I knew that this  
13 deal with Vitol initially was for two years. And I  
14 liked the idea of putting everything into a new entity  
15 such that if at the end of two years, we parted ways, we  
16 would have more of an independent clean set of books and  
17 records to take to a third-party for bank financing or a  
18 new partner or whatever it may be. So, I just made it  
19 cleaner.

20 Q. And was that the -- the like banking and  
21 financing, was that the reason for the concept about the  
22 two years? Or how -- how did the two years --

23 A. I'm not sure I understand.

24 Q. How did that time frame come about?

25 A. I don't really remember.

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1 Q. Okay.

2 (Exhibit Number 22 was marked for  
3 identification)

4 A. (Witness peruses document.) Okay.

5 Q. (By Mr. Broughton) Okay. So, is this a  
6 document you remember or not particularly?

7 A. I -- I can't say that I remember. The -- the  
8 bottom of the e-mail refers to an attachment, the Vitol  
9 Asphalt book splits v 25.

10 Q. Okay.

11 A. I don't remember that exact spreadsheet and  
12 it's not here; so, I can't -- but all this makes sense  
13 to me.

14 Q. All right. So, Mr. Barth has really asked you  
15 to kind of -- to give this written description which  
16 you've provided here at the -- the top part of Exhibit  
17 22.

18 A. Yeah.

19 Q. I mean, were you -- did you -- I mean, it looks  
20 to me from -- from reading this e-mail, it looks like  
21 you're kind of the main person doing the negotiations on  
22 behalf of GCAC or -- or you've got a bigger involvement  
23 in the day-to-day. How would you characterize it as a  
24 division of labor between you and Mr. Brass?

25 A. I think I take lead when it comes to

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1 negotiating these agreements. However, if it's a  
2 discussion about should the profits be split 50/50 or  
3 60/40, that's probably something AJ would take up  
4 directly with Eric and figure out what they thought was  
5 appropriate. So, this is more of a -- Steve's asking me  
6 how do we put pen to paper on these concepts, and I was  
7 proposing something.

8 Q. And was there a NewCo formed?

9 A. There was. I don't recall when it was formed,  
10 and it never got involved in this business. Because in  
11 a very -- very early into the relationship, we started  
12 to have problems. Right? So the NewCo that we intended  
13 to set up never got set up for this purpose.

14 Q. Well, I didn't understand that last part.

15 A. We did set up a NewCo.

16 Q. Right.

17 A. It never transacted with Vitol.

18 Q. Okay. So, you set it up. It just never did  
19 any business. Is that what you're saying?

20 A. We eventually did business. I don't -- I don't  
21 think we started doing business until after the Vitol  
22 relationship happened that we used that vehicle. I  
23 think the vehicle was essentially idle until after  
24 Vitol.

25 Q. And it was called Hermosa?

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1 A. Hermosa Energy, I believe.

2 Q. And was -- Hermosa was -- how was it owned?

3 A. 100 percent by AJ Brass.

4 Q. And so -- and you envisioned it actually having  
5 nothing really to do with GCAC. It was just an  
6 independent company. It just so happened to be owned  
7 by AJ Brass?

8 A. Could you ask that again? I'm sorry.

9 Q. Did you envision a relationship between Hermosa  
10 and GCAC?

11 A. If by relationship, kind of ownership by GCAC  
12 or -- I don't -- I don't --

13 Q. Sure.

14 A. I don't --

15 Q. We'll take that, ownership.

16 A. No, I did not expect that. I -- I thought it  
17 was possible that the ownership of Hermosa may be  
18 amended to not be a hundred percent AJ, but the desire  
19 was just to get it set up initially and it was easier to  
20 initially set it up as a sole member.

21 (Exhibit Number 23 was marked for  
22 identification)

23 A. (Witness peruses document.)

24 Q. (By Mr. Broughton) Are you ready for me to ask  
25 you about 23?

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1 A. I think so.

2 Q. Is -- is Exhibit 23 a document that you  
3 recognize?

4 A. So, it's the joint marketing agreement for  
5 Vitol and GCAC. There were -- there were many drafts  
6 and red lines; so, I don't recall this specific red  
7 line. I don't know who sent this to who, but it's a  
8 document that is familiar. There were a dozen different  
9 drafts. I can't recall which draft this is.

10 Q. And who on the GCAC -- well, I guess this  
11 actually says NewCo. So, on the NewCo side, who -- who  
12 would have been involved in looking at these drafts and  
13 making red lines and comments?

14 A. From GCAC's standpoint, myself and AJ would  
15 have reviewed and made comments, probably more by me.  
16 And most likely Steven Canner would have actually  
17 implemented changes and made red lines.

18 Q. So, does it appear to you that the drafts  
19 immediately preceding this Exhibit 23 had -- had all  
20 said GCAC, and as of this draft, whatever date it is in  
21 June, it's now NewCo; is that right?

22 MR. GILES: Objection, form.

23 THE WITNESS: I should answer though?

24 MR. GILES: Yeah, yeah.

25 A. That's what it looks like.

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1 Q. (By Mr. Broughton) Okay. So, as of -- as of  
2 this date -- and do you know where -- where the -- and  
3 if you look in there, there's red lining that's --  
4 that's kind of this maroon color --

5 A. Uh-huh.

6 Q. -- and there's also this kind of a turquoise  
7 color.

8 A. Yeah.

9 Q. Do you remember whose was who?

10 A. No. I'm -- I don't -- I don't even know if  
11 these changes were made by GCAC or Vitol.

12 Q. Okay. So, from your understanding, at least as  
13 of whatever the date of this particular markup is on  
14 Exhibit 23 --

15 A. Uh-huh.

16 Q. -- the decision had been made that it would be  
17 between NewCo and Vitol; is that right?

18 A. You're saying the decision. You mean a  
19 joint GCAC/Vitol -- or GCAC/NewCo on one part and Vitol  
20 on the other part decision?

21 Q. Yes.

22 A. I don't know whether or not that was ever  
23 confirmed. I know that AJ discussed that with somebody  
24 at Vitol. I can't tell you that definitively they said,  
25 yes, go ahead or whether they just said put it in there

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1 and we'll talk about it. I -- I don't know.

2 Q. So, if we look at Page 16, there towards the  
3 very end --

4 A. Uh-huh.

5 Q. -- the signature line is for NewCo, and then it  
6 says, Agreed for the sole purpose of Section 1-B, and  
7 there's GCAC's signature line. Do you see that?

8 A. Uh-huh. Uh-huh.

9 Q. Do you recall why -- why that was proposed?

10 A. Yes. Because GCAC has held the terminal lease  
11 in Mobile, and GCAC was going to give short-term  
12 assignments at that lease to Vitol so the oil being  
13 stored in tank could be Vitol's. And GCAC had the right  
14 to do that. NewCo did not.

15 Q. Okay. Other than that particular -- at least  
16 as of the date of this draft, to your understanding,  
17 did -- would -- would GCAC as an entity have had any  
18 other obligation under this other than what you just  
19 explained is the reason for this signature line, Section  
20 1-B?

21 A. I would really want to read this document again  
22 to answer that.

23 Q. Sure.

24 A. Okay. (Witness peruses document.) Would you  
25 mind asking me the question again?



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1 Q. Sure. So, you explained about why there was  
2 a GCAC signature line on Page 16. And it says, Agreed  
3 for the sole purpose of Section 1-B, right? And I asked  
4 you, from your understanding, other than what's  
5 referenced here in Section 1-B, would GCAC have had any  
6 other obligations under this -- this draft as -- as set  
7 forth here?

8 A. I suppose the answer to that is no. Can I  
9 elaborate on my last answer or is that not appropriate?

10 Q. Sure.

11 A. I think that almost certainly had we gone  
12 forward and done this, that GCAC and NewCo would have  
13 had a management services agreement or something of the  
14 like, because there was never an intention for everybody  
15 to stop working at GCAC and start working at NewCo from  
16 an employment standpoint. So, that would have  
17 necessitated a management services agreement between the  
18 two entities.

19 Q. Okay. Do you know if Exhibit 23 was the last  
20 draft that was exchanged either one way or the other?

21 A. I don't think so.

22 Q. Okay.

23 A. I know there was a draft sent by Vitol to GCAC  
24 on either July 12th or July 13th and I believe that's  
25 the most recent draft, but I guess I don't have

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1 definitive knowledge that's the case.

2 Q. Okay.

3 (Exhibit Number 24 was marked for  
4 identification)

5 A. (Witness peruses document.) Okay.

6 Q. (By Mr. Broughton) So, having looked at  
7 Exhibit 24, which is the July 12th, 2017 draft, the  
8 coversheet says it's from Ernie Kohnke to Dave Hubenak.  
9 And it says, Dave, attached is the further revised JSMA  
10 between Vitol and NewCo. Do you see that?

11 A. Uh-huh, yes.

12 Q. To the best of your recollection, you believe  
13 this was the last draft that went back and forth?

14 A. I believe July 12th was authored -- I think  
15 what the back of it said -- the draft I reviewed was red  
16 lined.

17 Q. Okay.

18 A. This is clean. But I believe July 12th was the  
19 last draft that was sent by a party to another party.

20 Q. All right. And were you looking at each draft  
21 and the red lines?

22 A. Yes.

23 Q. And Mr. Brass was as well?

24 A. He tended to maybe take a last look after I had  
25 made comments or -- myself and the outside counsel made

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1 comments. He might take a last look at the -- at our  
2 comments to the red line.

3 Q. And just as we looked at a minute ago, if we  
4 look at the signature page -- this time it's on Page  
5 14 --

6 A. Uh-huh.

7 Q. -- it has the similar, Agreed for the sole  
8 purpose of Section 1-B or GCAC, right?

9 A. It looks the same.

10 Q. And would your answer be the same as the last  
11 draft that -- that the -- this would be the only  
12 obligation of GCAC except that you would foresee GCAC  
13 and NewCo doing a management services agreement?

14 A. I believe that's right.

15 Q. You had said earlier that -- well, let me ask  
16 you this: Do you think any -- an agreement was  
17 finalized and agreed to by both parties?

18 MR. GILES: Objection, form.

19 A. I believe that the substantive economic  
20 material terms were agreed to, and the parties started  
21 operating under that premise.

22 Q. (By Mr. Broughton) Okay. And which parties  
23 are you referring to?

24 A. Vitol and GCAC.

25 Q. And when do you believe that -- did you say

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1 substantive agreement? Is that what you said?

2 A. Substantive terms.

3 Q. Okay. And when do you believe that substantive  
4 terms were agreed to by GCAC and Vitol?

5 A. My -- my recollection is that the last draft  
6 that occurred before July 1st was on June 23rd, as I  
7 remember; and then the three parties decided they were  
8 just going to go ahead and start transacting July 1st  
9 and not deal with the documents until after that.

10 Q. And tell me about how -- that decision you just  
11 described.

12 A. I believe it was solely made between -- I can't  
13 speak to the other parties' decision process but from my  
14 perspective between AJ Brass on behalf of GCAC, Patrick  
15 Perugini on behalf of Rio, and Eric Kuo on behalf of  
16 Vitol deciding to do that. As a former investment  
17 banker, I prefer signed documents.

18 Q. And -- and your -- the basis for your  
19 explanation that you just gave us was something  
20 Mr. Brass told you; is that right?

21 A. Yes. We were -- everybody was ready to just do  
22 the deal as is, finish the details later.

23 Q. Okay. And did you have a similar discussion  
24 with Mr. Perugini about that or was it only Mr. Brass?

25 A. I may have. I don't recall a discussion that I

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1 had to directly with Mr. Perugini. I may have.

2 Q. Okay. Did you have a discussion with anybody  
3 at Vitol or was it just Mr. Brass telling you this?

4 A. I don't think between June 23rd and July 1st, I  
5 was involved in discussions with Vitol about that. I  
6 was talking to Patrick more frequently because he was  
7 also a partner that was coming to GCAC.

8 MR. BROUGHTON: Take a little break here.

9 MR. GILES: Sure. Sure.

10 THE VIDEOGRAPHER: We're off the record at  
11 1:33.

12 (A recess was taken from 1:33 p.m. to 1:53  
13 p.m.)

14 THE VIDEOGRAPHER: We are on the record at  
15 1:53.

16 Q. (By Mr. Broughton) So, just before the break,  
17 Mr. Goldstein, you were telling us that Mr. Brass had  
18 told you that -- if I -- correct me if I'm wrong. I  
19 think between June 23rd and July 1st, that there had  
20 been kind of a three-way agreement reached regarding  
21 kind of the subject matter of these drafts we've been  
22 looking at, right?

23 A. Yes.

24 Q. Okay. And you don't know exactly which day but  
25 one of those days they made an agreement. Is that --

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1           A.     It's -- it's possible it had been done or those  
2     conversations possibly started before the 23rd, but it  
3     was somewhere in that late June period.

4           Q.     Okay. And did you understand that the terms  
5     of -- of this agreement that Mr. Brass told you about  
6     was essentially these -- these same terms we've been  
7     looking at, about a 50/50 split for two years regarding  
8     this plan?

9           A.     Those -- those general terms are my belief of  
10    what they were entering into.

11          Q.     Okay. So, any other terms that you recall or  
12    is it -- well, you tell me what terms you recall were  
13    part of this agreement that was reached prior to July 1.

14          A.     This may not be a conclusive list.

15          Q.     Okay.

16          A.     But there would be essentially a share of  
17    profits and losses. In that P&L would be tank rental,  
18    some of the personnel which is that -- I believe Exhibit  
19    A to the document we just looked at of GCAC. I believe  
20    that Vitol was going to allocate a portion of overhead  
21    for its back office to the -- the book, to the P&L. The  
22    P&L would have all purchases and sales and shipping  
23    costs and demurrage costs and inspection costs. And  
24    then those would be shared 50/50, the -- whether it was  
25    plus or negative. That was my belief.

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1 Q. Okay. And in looking at this July 12th, was  
2 there anything --

3 A. This one?

4 Q. Yeah, sorry.

5 A. Sure.

6 Q. I can't see the exhibit labels that far.

7 A. Yeah.

8 Q. But looking at July 12th, any material terms  
9 change in these subsequent drafts, to your knowledge?

10 A. I'm sorry. You're saying between this draft  
11 and this draft or between this draft and what actually  
12 occurred?

13 Q. In the agreement that you described that  
14 Mr. Brass told you about that was reached before July 1.

15 A. Okay.

16 Q. All right. We'll -- we'll start with -- with  
17 this one that's Exhibit 23.

18 A. Yes.

19 Q. Okay. Which has a June date.

20 A. Okay.

21 Q. I mean, is it your understanding that this  
22 agreement that you -- that Mr. Brass told you about that  
23 was reached prior to July 1, is it your understanding  
24 the material terms would -- would be the same as those  
25 set forth here in Exhibit 23?

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1 A. I would want to read this entire document.

2 I -- I -- the last draft I remember is June 23rd --

3 Q. Okay.

4 A. -- before -- before the July 12th draft. I  
5 don't know that this -- this doesn't say the date.

6 Q. Okay.

7 A. So --

8 Q. Let's skip that one and talk about the  
9 July 12th one.

10 A. Okay.

11 Q. All right.

12 A. So, the thing I remember about July 12th, which  
13 was a Vitol term --

14 Q. Okay.

15 A. -- Vitol draft -- again, I just read the red  
16 line -- was that -- and I -- and I e-mailed our team to  
17 take note of this, that Vitol did not red line it off  
18 the previous draft we had sent them; but they red lined  
19 off a previous draft they had sent us. So, it was kind  
20 of confusing to track those red lines because we weren't  
21 dealing with a sequential draft. Does that make sense?

22 Q. Uh-huh.

23 A. So, again, I could -- I could read the whole  
24 thing. But this is -- I don't know that this is exactly  
25 what I looked at or not --



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1 Q. Okay.

2 A. -- previously.

3 Q. And, again, are we talking about the material  
4 terms, what you would consider to be material terms.

5 And just so the record's clear, you're  
6 looking at exhibit number what?

7 A. 24.

8 Q. 24.

9 A. (Witness peruses document.) I'm not sure that  
10 what you said is correct.

11 Q. Okay.

12 A. The first thing --

13 Q. I wasn't saying. I was just asking.

14 A. Sure. Sure. The first thing -- I'm only on  
15 Page 3.

16 Q. Okay.

17 A. The first thing that I found that seems to be  
18 inconsistent with my understanding was the trade team  
19 personnel, which we've reviewed, the five employees that  
20 came out to a total of 1.275 --

21 Q. Uh-huh.

22 A. -- after taking into account benefits was  
23 supposed to have been -- and the reason it was exhibited  
24 in this agreement or scheduled in this agreement, it was  
25 supposed to be a cost of the book and GCAC was supposed

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1 to be reimbursed for. That would, therefore, be a cost  
2 of the book, and ultimately GCAC would still pay half of  
3 it, if that makes sense.

4 In this draft that I'm reading now, it  
5 says that the trade team -- those five people are  
6 scheduled here but that GCAC is solely responsible for  
7 that. And so, I don't know if that's a change Vitol  
8 made on July 12th or -- but that is the first thing  
9 that's different than my understanding.

10 Q. Okay.

11 A. I believe that would be part of the cost of the  
12 book.

13 Q. Okay.

14 A. I could continue if you want me to.

15 Q. Yeah, that would be great.

16 A. (Witness peruses document.) There's an  
17 inconsistency.

18 Q. Okay.

19 A. So, I just told you what I said about those are  
20 solely GCAC's costs, but at the end of the page it says  
21 that --

22 Q. End of page what?

23 A. 3.

24 Q. Okay.

25 A. Same page. At the end it says Vitol was to

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1 reimburse those trade team personnel salaries costs.

2 So, that just seems to not jive there.

3 Q. Okay.

4 A. So, what -- what I'd say is with the exception  
5 of the trade team personnel I just discussed --

6 Q. Yeah.

7 A. -- with the caveat that since I'm not looking  
8 at a red line, if there was an entire section deleted, I  
9 wouldn't know it. But given what I'm reading, it looks  
10 like the substantive terms.

11 Q. Okay. All right. And so, none of these  
12 agreements got to the point -- or these drafts got to  
13 the point where people were actually signing documents,  
14 right?

15 A. Correct.

16 Q. Okay. You've touched on this earlier with  
17 regard to VALT, but did you actually talk to anybody at  
18 Vitol about -- well, tell me what happened, to your  
19 recollection, after this July 12th draft was circulated.  
20 What was the next significant thing that happened?

21 A. The only thing I recall is that we were having  
22 trouble making progress on progressing the legal  
23 document with Vitol, and I started to be concerned that  
24 we had a problem. I -- I suspected it might be VALT  
25 related, but I'm not sure I knew it initially.

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1 Q. All right. And did you ever have a discussion  
2 with anybody at Vitol about VALT at this point?

3 A. I did not.

4 Q. Okay. And was it Mr. Brass who did?

5 A. Yes.

6 Q. And then he reported it to you?

7 A. Correct.

8 Q. And what did he report to you?

9 A. Initially he reported that VALT was unhappy or  
10 there was an issue with VALT, but I and the rest of us  
11 at GCAC rest assured that Vitol's got it. We'll take  
12 care of it. That was what was reported back to me.

13 Q. Okay.

14 A. And that was kind of the consistent message for  
15 at least two or three weeks, I believe.

16 Q. That Mr. Brass was telling you he was hearing  
17 from who at Vitol?

18 A. Eric Kuo.

19 Q. Okay.

20 (Exhibit Number 25 was marked for  
21 identification)

22 Q. (By Mr. Broughton) Mr. Goldstein, do you  
23 recall what's been marked as Exhibit 25?

24 A. I don't recall it, but it looks -- again, it  
25 looks like something that -- I'm not surprised by it.

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1 Q. Sure. And this is July 28th. So, this is a  
2 couple of weeks after the last -- the July 12th draft  
3 that we looked at, right?

4 A. Uh-huh.

5 Q. So, what -- what -- I take it you were going on  
6 vacation or out of town somewhere?

7 A. Correct.

8 Q. So, explain what this is that's number two,  
9 Vitol JMA related items, payment of July fixed  
10 costs/reimbursement of freight. What are you -- what  
11 were you talking about there?

12 A. Sure. So, just going line by line, 2a, payment  
13 of July fixed costs/reimbursement of freight. In the  
14 agreements we just talked about, Vitol was to reimburse  
15 the Mobile tank lease costs as well as the trade  
16 personnel. So, we invoiced -- GCAC invoiced Vitol for  
17 that for June and for July. Vitol paid the tank costs  
18 for June but not the personnel costs, and my  
19 recollection is they also paid the tank costs for July  
20 but not the personnel costs.

21 What I was hearing, again from AJ, was  
22 they're working through issues and when they work  
23 through those issues, they'll true the rest of that up.  
24 But that was on my list of things to make sure we were  
25 addressing. I am guessing that reimbursement of freight

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1 had to do with one of the initial shipments where we may  
2 have actually done the sale instead of Vitol and  
3 incurred freight costs, which in the normal course,  
4 again, Vitol would be expected to reimburse and then  
5 that would go as a cost to the book that would then be  
6 later shared. So, that's what I think 2a means.

7 2b I think just means we need to get this  
8 document completely finalized and executed.

9 2c clearly I was -- even though we were  
10 already transacting as GCAC, still hopeful of setting up  
11 this Hermosa structure in which case we would have  
12 needed to have GCAC sublease to Hermosa and then Hermosa  
13 to Vitol, but that never happened.

14 2d, meeting with Vitol accounting and ops  
15 is just more of a back office meeting about how they  
16 were recording all of the transactions, how they were  
17 reporting it, making sure we had good communication flow  
18 bilaterally.

19 Q. So, Vitol was supposed to be the one doing the  
20 accounting, keeping the accounting records?

21 A. For the book, yes.

22 Q. Okay.

23 A. Yes.

24 Setting up Hermosa bank account,  
25 consistent with 2c, I was -- I was still hopeful of

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1 doing this as a Hermosa thing.

2 And 2f, as we -- as we mentioned before  
3 the last break, if we did all this, we would need a  
4 management services agreement between Hermosa and GCAC  
5 so GCAC could still provide the services, just through  
6 Hermosa, if that makes sense. And then obviously we  
7 were in late July. So, this had been going on for about  
8 two months. We had not received, to my knowledge,  
9 profit and loss statement or hedge position reports.  
10 So, I stated we needed to start getting that information  
11 from Vitol, which I -- I think the JMA outlines  
12 receiving once a month I believe.

13 Q. Did anyone start drafting a management services  
14 agreement?

15 A. I don't recall that ever starting, no.

16 (Exhibit Number 26 was marked for  
17 identification)

18 A. (Witness peruses document.)

19 Q. (By Mr. Broughton) Let me know when you're  
20 ready to talk about 26.

21 A. Okay. I'm ready.

22 Q. Okay. Do you remember ever seeing what's been  
23 marked as Exhibit 26 before?

24 A. I -- I vaguely recall that I probably put this  
25 together.

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1 Q. So, you think you put it together?

2 A. I think so.

3 Q. Okay. And what was the purpose of you putting  
4 this together on August 21st, 2017 entitled Vitol  
5 interim financing structure bullets?

6 A. I believe that Vitol had indicated that they  
7 wanted to change our relationship from what we had just  
8 talked to about to a -- more of a financing structure,  
9 which what I mean by that is I believe they wanted to  
10 start having GCAC retain a hundred percent of the  
11 profits or losses and have Vitol just receive an  
12 interest rate for capital -- working capital provided.  
13 And so, I think we went back and started evaluating  
14 structures I found to do that.

15 It looks like -- it looks like that was  
16 contemplated for the asphalt piece but still a 50/50  
17 relationship for the non-asphalt businesses we were  
18 pursuing.

19 Q. So, if I understand you correctly, this was --  
20 was this your analysis about this proposed financing or  
21 I mean --

22 A. I don't think I'd describe it as analysis. I  
23 think there was a meeting or a phone call where we were  
24 told -- this is by Vitol. This is how we want to do it.  
25 Specifically what I mean by that is not sharing in the



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1 profits or losses of the asphalt business anymore.

2 Q. So, not doing the JMA.

3 A. Well, a lot of the pieces would still be the  
4 same but not -- not sharing 50/50 in the profits and  
5 losses.

6 Q. Okay.

7 A. At least that's what they -- that's what they  
8 wanted to stop doing. And so, we kind of went back and  
9 said -- it looks like we were kind of assessing how that  
10 would work, and this is, I guess, a summation or  
11 thoughts around that.

12 Q. And so, did you say this was on a telephone  
13 call?

14 A. I thought I remembered an in-person meeting,  
15 but I -- I remember being later than August 21st. So,  
16 I -- I can't really remember.

17 Q. Okay. So, you don't remember one way or the  
18 other. It could have been on the phone. It could have  
19 been in person.

20 A. There was an in-person meeting --

21 Q. Okay.

22 A. -- that I recall, but maybe this happened  
23 before that meeting, they started talking about the  
24 financing structure. I don't remember it happening  
25 quite this early, but it doesn't mean it didn't.

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1 Q. All right. And we'll get to the in-person  
2 meeting in a second.

3 Do you remember ever being on a phone call  
4 with anyone from Vitol where these concepts were  
5 discussed?

6 A. No.

7 Q. Okay. So, tell me what you recall about this  
8 in-person meeting.

9 A. I recall a meeting that had at the meeting --  
10 there may have been other people as well, but I recall  
11 myself, AJ, Eric Kuo, Chris Bake and Mike Loya. And  
12 essentially the -- the message from Vitol to us was  
13 this -- this isn't going to be able to continue in the  
14 current form, and GCAC and VALT weren't able to reach a  
15 meeting of the minds of how they could work together.  
16 So, Vitol needed to switch this to a financing  
17 structure. And what -- what they meant by that, I  
18 believe, is a deal where GCAC no longer has Vitol  
19 sharing 50/50 in the profits or losses.

20 Q. And do you remember where this meeting was?

21 A. At Vitol.

22 Q. Okay. And any idea approximately how long it  
23 lasted?

24 A. I mean, it wasn't -- it was certainly not a  
25 half day or anything. Maybe -- maybe 45 minutes, I'm

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1 guessing.

2 Q. And from your side you're -- you're confident  
3 it was just you and Mr. Brass?

4 A. I'm not confident. That's -- that's what I  
5 remember. If anybody else were there, it probably would  
6 have been Patrick, but I can't recall.

7 Q. All right. And -- and when you use this term  
8 interim transaction what did -- what did you mean by an  
9 interim transaction?

10 A. Part of what was discussed at that meeting was  
11 they wanted to switch to this non-50/50 structure as a  
12 stop gap, and they were, much like Rio, asked to get out  
13 of their situation. Vitol asked us to find a  
14 replacement partner for them. And so, I think interim  
15 meant from, you know, this time where they told us they  
16 couldn't do 50/50 anymore until we found a new partner.

17 Q. What's set forth here in Exhibit 26, is this  
18 how things played out?

19 A. I don't know. What I can tell you is that no  
20 deals were ever done outside of asphalt with Vitol. So,  
21 the last section is -- did not play out because it's --  
22 nothing's applicable to that. And as far as -- the  
23 first section did not play out at all. So, Vitol was  
24 going to purchase Rio's -- effectively their goodwill in  
25 the business and -- and hold that for us such that when

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1 we found a new partner, we could, as it says here, buy  
2 that at the same price and use that as negotiation with  
3 the new partner, and Vitol did not end up transacting  
4 with Rio on that. So, the first and third never  
5 happened. I guess I would say the first never happened  
6 and the third section was irrelevant.

7 And the second, I truly mean I don't know.  
8 So, we continued to operate the business the same way we  
9 had the day before that meeting; and since we never got  
10 any profit or loss calculation from Vitol, we were just  
11 going about buying and selling oil. We didn't change  
12 our operations at all.

13 Q. So, was Vitol providing credit and providing  
14 cash?

15 A. Well, not cash.

16 Q. Okay.

17 A. So, it was not a loan in the sense that we  
18 couldn't go ask for a hundred dollars for Vitol for  
19 operations. They purchased and held most of the  
20 inventory, and they carried some of the receivables.  
21 And then they were paying Rio -- I don't know if they  
22 were paying current or at the end -- but they paid Rio  
23 for all the terminaling costs in Corpus Christi. And as  
24 I mentioned, they paid GCAC for the terminaling cost in  
25 Mobile but only for June and July.

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1 Q. You probably said this earlier. But how long  
2 have you been working in the asphalt market?

3 A. Well, I started working with GCAC as a client,  
4 not as an employee but as a client when I was at Blossom  
5 Street probably dating back to the 2005 or 2006 time  
6 frame. And then I joined GCAC as an employee in 2010;  
7 but at that time, GCAC had several businesses besides  
8 just asphalt or several business lines I should say.

9 Q. And when did GCAC go to just asphalt, if you  
10 recall?

11 A. We sold the assets in 2013. So, prior to that,  
12 we were storing crude oil. We were storing methanol,  
13 distinct other products. I can say that after '13, it  
14 became more -- we didn't have that storage. So, it  
15 became more of an asphalt marketing and trading  
16 business, but we may have done some stuff in -- in fuel  
17 and heavy crude during that time. Excuse me. We also  
18 through a subsidiary did some trading in light crude.

19 Q. How is the asphalt market doing today?

20 A. It is -- prices are strong. I mean, right at  
21 today prices are strong and demand is ironically a  
22 little weak which doesn't really match up with strong  
23 prices, so -- we were just talking about that yesterday.  
24 It's kind of a weird -- a bit of a weird time right this  
25 second.

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1 Q. How long has that been going on?

2 A. It really changes week to week. I'd say  
3 asphalt pricing has been heading in an upward direction  
4 for some number of months.

5 Q. So, for most of 2019? Some of 2018 maybe?

6 A. I would say at least two or three months. I  
7 don't know if it's all of '19.

8 Q. And you may have touched on this earlier. So,  
9 other than the Mercuria agreement -- and we do actually  
10 have a copy of that Mercuria agreement --

11 A. Okay.

12 Q. -- what other lines of businesses is GCAC doing  
13 today?

14 A. Today -- today none. There have been -- since  
15 the start of the Mercuria agreement, there were a couple  
16 of small transactions done with -- in Canadian crude  
17 where we effectively because Mercuria did not have an  
18 interest in doing that with us as trader. We just --  
19 since we -- since Patrick put the deal together, we  
20 brokered it. It was minor. Other than that, it's just  
21 the Mercuria business.

22 Q. So, with respect to -- and we looked at that  
23 interim financing August 21, 2017 kind of outline.

24 A. Uh-huh.

25 Q. GCAC has been invoicing Vitol in the past

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1 for -- for some of these transactions, right, like, back  
2 -- back in 2017 for the trades that were being done,  
3 right?

4 A. If -- if we sold material to Vitol, I guess --

5 Q. Yeah.

6 A. -- we would have invoiced, I'm sure.

7 Q. Right.

8 A. I don't recall. I know we did invoice again  
9 for the trade team salaries and for the Mobile tank  
10 expense, the first two months; and then we were told  
11 don't -- don't invoice us anymore. Or I -- I should  
12 rephrase. I was told that by AJ that he was told that.

13 Q. Okay. So, I mean, would you have personally  
14 had any role in -- in the invoicing?

15 A. Only to instruct somebody to send out an  
16 invoice.

17 Q. Okay. And that would -- you would --

18 A. And if it was a trade-related invoice, then I  
19 might not be involved in that. That might come from a  
20 trader.

21 Q. Okay. So, the only invoicing you would have  
22 been involved in would have related to personnel and  
23 share of expenses? Is that -- I just want to get an  
24 idea of what your personal involvement --

25 A. The only --

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1 Q. -- would have been.

2 A. The only invoicing that I recall instructing  
3 our accounting department to send to Vitol would have  
4 been related to the -- to Mobile tank reimbursement and  
5 trade team salary reimbursement for June and July only.

6 (Exhibit Number 27 was marked for  
7 identification)

8 A. (Witness peruses document.) Okay.

9 Q. (By Mr. Broughton) All right. Tell us what  
10 Exhibit 27 is to the extent you know.

11 A. It looks like a late September e-mail from me  
12 to accounting instructing our accounting department to  
13 invoice Vitol for October tank rental. I am not sure if  
14 we ended up sending that or not. I know that they never  
15 paid October tank rental.

16 Q. I don't think we -- we talked about your  
17 description of the difficulty in asphalt hedging. I  
18 don't think you really told us. How does one hedge an  
19 asphalt trade?

20 A. Well, the way that -- since we've been hedging,  
21 which during the first number of years that I was  
22 at GCAC, there was no hedging. We just bought product  
23 and sold product and didn't attempt to put on a  
24 financial hedge. I believe the financial hedging  
25 started with Rio. And since that time, we will sell



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1 little short some number of fuel oil barrels based on  
2 the number of asphalt barrels that we have in physical  
3 storage or physical -- physical commitments to purchase.

4 At times it's a hundred percent, so, a  
5 hundred barrels owned, a hundred barrels of fuels  
6 shorted. At times with Mercuria we -- we vary from that  
7 significantly based on a variety of factors. It's more  
8 customized, I guess.

9 Q. Is there a perfect asphalt hedge?

10 A. I don't think so.

11 Q. Okay. If you were provided a specific price  
12 and quantity, could you come up with a proper asphalt  
13 hedge?

14 A. No. I think the only way to -- sorry.  
15 Specific price and quantity for us to purchase asphalt?

16 Q. Uh-huh.

17 A. And how to hedge it?

18 Q. Right.

19 A. No. I think the only thing you can do that  
20 securely is have a matching sales agreement that either  
21 ties fixed price to fixed price or fuel oil differential  
22 to fuel oil differential. But if just have a price in  
23 dollars and you don't have a sale that's contracted at  
24 the same time, I think you're -- you're exposed to price  
25 risk.

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1 Q. And I may have asked you this earlier. But did  
2 you have involvement in -- in hedging GCAC's asphalt  
3 trades or did you leave that to the traders?

4 A. The traders would do the hedging. I would  
5 sometimes get involved in -- in more of a big picture  
6 analysis of what we should be doing. For example, I  
7 once tried to do analysis to see if we altered the  
8 percentage of barrels that we hedged based on the  
9 relative prices at the time of fuel to asphalt. The  
10 theory was if asphalt was significantly underpriced  
11 relative to fuel, do you short more barrels here then  
12 not short as many barrels when asphalt is -- and I would  
13 do analyses like that. But to your question before, I  
14 could never come up with something that felt like we  
15 were really well hedged. Day-to-day, you know, hedge  
16 50 -- 50 lots, 5,000 barrels, I wouldn't get involved in  
17 that.

18 Q. Who is Marc Horowitz?

19 A. Marc Horowitz is a friend of AJ's who I know  
20 and -- and have come to know through AJ. He is a former  
21 trader. I'm not sure if he was with Vitol or somewhere  
22 else. I don't recall. He's a former trader I believe  
23 now semi-retired. And we -- as we were doing some of  
24 these more esoteric analyses of how do we come with a  
25 better hedging mechanism, he helped us think about some

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1 of that stuff, just pulling another brain into that  
2 analysis. He wasn't paid. He just did it as a friend.

3 (Exhibit Number 28 was marked for  
4 identification.)

5 (Discussion off the record for less than  
6 one minute.)

7 A. (Witness peruses document.) Okay.

8 Q. (By Mr. Broughton) Do you recall that  
9 particular e-mail?

10 A. I don't recall the e-mail, but I remember  
11 speaking to him and I remember the lunches at Roka Akor  
12 that's referenced at the top of the e-mail.

13 Q. If you look through here, you say a lot of  
14 optimization could be done --

15 A. Uh-huh.

16 Q. -- for our hedging. What -- what did you mean  
17 by that?

18 A. So, to this point in time -- and actually it's  
19 still true today -- the only hedging that's been done is  
20 shorting fuel, just one thing. AJ brought in Marc  
21 because he thought he was a good person to strategize  
22 and Marc thought perhaps there was a -- through a  
23 combination of shorting as well as options and of using  
24 crude oil in addition to fuel oil, that maybe there was  
25 potentially a better match or hedge to asphalt.

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1 Q. That -- that was his thought.

2 A. A potential thought. I mean, he never -- those  
3 are analyses that never kind of got vetted out, but he  
4 said maybe.

5 Q. Okay.

6 A. He thought it was worth looking at.

7 Q. Did you just talk to him that one time or do  
8 you think there were several discussions?

9 A. We -- we definitely had at least two lunch  
10 meetings I can remember and probably a couple other  
11 calls beyond that.

12 Q. Do you recall ever talking to him about the  
13 hedges that Vitol was performing at GCAC's direction?

14 A. Only that we --

15 MR. GILES: Objection, form.

16 A. The only thing we had talked about is what we  
17 had done historically in the business, whether it be  
18 Rio, Vitol, Mercuria, which was shorting fuel oil.

19 Q. (By Mr. Broughton) And you don't remember who  
20 he used to work for? I think you said you...

21 A. I don't recall, no. He was a successful  
22 retired trader, retired young.

23 Q. Yeah. So, how did the business with Mercuria  
24 come about?

25 A. So, Mercuria through Pin Oak Corpus Christi was

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1 a purchaser of the facility in Corpus where we were  
2 operating as an -- as an asphalt tenant. I know I'm  
3 bound by confidentiality to talk about some of  
4 Mercuria's strategies. I don't know how to handle that.  
5 But --

6 Q. I don't feel like I'm asking about their  
7 strategy right now. I was just really -- how did -- how  
8 did the Mercuria --

9 A. Okay.

10 Q. -- come about.

11 A. So, they -- they bought that facility or a  
12 portion of it, and they wanted to talk to us about  
13 partnering with them on the asphalt business there.

14 Q. Okay. And did they approach you or Mr. Brass  
15 or who?

16 A. I believe they approached Rio because they  
17 bought the facility. And if you recall, I talked  
18 earlier about how Rio as a stop gap was the leaseholder  
19 in Corpus and would do buy-sells with Vitol on barrels  
20 that came in and out. And so, when Mercuria bought the  
21 facility, all they saw was the lease was a lease to Rio.  
22 So, they approached Rio.

23 Q. Okay. And so, were you involved in  
24 negotiations with Mercuria that led to the agreement  
25 between GACA [sic] and -- and Mercuria?

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1 A. Yes.

2 Q. Okay. And who -- who were you dealing with on  
3 the Mercuria side?

4 A. We -- we dealt primarily with Brian Falik and  
5 Maurice Harari.

6 Q. Do you want to spell those for her while we're  
7 here?

8 A. Sure. Brian is i-a-n, the normal way. Falik,  
9 F-a-l-i-k. Maurice is M-a-u-r-i-c-e, and I believe it's  
10 H-a-r-a-r-i, but I can -- I can check when we get to a  
11 break.

12 I will say that even more so than during  
13 the Vitrol early stage negotiations, AJ handled most of  
14 major commercial terms himself.

15 Q. I presume you were looking it over and things  
16 like that?

17 A. Uh-huh.

18 Q. Okay.

19 (Exhibit Number 29 was marked for  
20 identification.)

21 Q. (By Mr. Broughton) I'm going to hand you  
22 Exhibit 29.

23 A. (Witness peruses document.) I assume this is  
24 the executed?

25 Q. Yeah. I think if you look at --

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1 A. Yeah, okay.

2 Q. -- Page 39, there's Mr. Brass' signature. And  
3 then there's a variety of other --

4 A. Right.

5 Q. -- signatures on some of the exhibits like Rio  
6 and Gravity and --

7 A. Okay.

8 Q. -- and others, right?

9 A. Yes.

10 Q. Okay. So, you have -- you are familiar with --  
11 with this marketing agreement --

12 A. Yes.

13 Q. -- between -- yeah. And is it till in effect  
14 today?

15 A. Yes.

16 Q. And I know you referenced perhaps some  
17 negotiations for an amendment. But had those -- has it  
18 been amended yet?

19 A. No.

20 Q. Okay. So, it's still currently in effect as is  
21 set forth here on Exhibit 29?

22 A. I believe so, yes.

23 Q. All right. And how much day-to-day involvement  
24 do you personally have in performing GCAC's obligations  
25 under this Mercuria agreement?

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1 A. I would say very little on a day-to-day basis.

2 Q. Okay. So, what is -- what -- what is your  
3 involvement with it?

4 A. Well, it would be more on larger strategy, for  
5 example, amendments; if we're looking to take out a new  
6 tankage position. What I mean by that is an additional  
7 lease of tankage, I might look at that. On a day-to-day  
8 basis what happens is purchasing and selling of products  
9 and hedging. I did participate in a hedging call last  
10 week, but that was more about hedge strategy and not  
11 about placing a hedge. But in terms of buys and sells,  
12 I typically am not involved in those.

13 Q. And who's making the buy and sell decisions?

14 A. It had been AJ and Patrick and George. Now  
15 that Patrick's gone, it's AJ and George.

16 Q. What's George's last name?

17 A. Grace.

18 Q. Oh, yeah.

19 A. I would just add to that that Kenny has a  
20 influence in those decisions because he is the one that  
21 knows how to blend products A and b to make C and how  
22 much of each.

23 Q. Have you ever done any analysis, whether formal  
24 or informal, comparing the Mercuria signed contract with  
25 a July 12th draft between NewCo and Vitol?



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1       A.    Yes.  I have done some comparison of  
2   quantitative elements; however, there are some  
3   qualitative elements that I wouldn't know how to  
4   compare.

5       Q.    Okay.  And so, what quantitative elements do  
6   you recall comparing?

7       A.    There was a different profit split between --  
8   on one hand GCAC and Vitol, on the other hand GCAC and  
9   Mercuria.  50/50 with GCAC/Vitol and about 60/40,  
10   Mercuria/GCAC on that one.  GCAC no longer has  
11   reimbursement of the trade team personnel under that  
12   relationship; however, GCAC does get first profits out  
13   up to a maximum of 500,000 per quarter.

14      Q.    Did you say per quarter?

15      A.    Yes.

16      Q.    And that's a provision that -- that was not in  
17   the --

18      A.    Actually --

19      Q.    -- July 12th draft; is that right?

20      A.    I'm sorry.  I just thought of something else.

21      Q.    Okay.

22      A.    There -- there has been amendment, an amendment  
23   to this I forgot about.

24      Q.    Okay.

25      A.    Because that 500,000 a quarter is now a maximum

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1 of 450,000 a quarter.

2 Q. All right.

3 A. I'd forgotten about that. That would have been  
4 probably amended this past February.

5 Q. Amended to 450,000?

6 A. Yes.

7 Q. Okay. And why was that amendment made?

8 A. We engaged in a transaction with a third-party  
9 to sell the retail business in Corpus Christi, and there  
10 were a number of negotiations and concessions made as a  
11 result.

12 Q. So, back to the quantitative comparison. So,  
13 the July 12 draft was 50/50 and the Mercuria agreement  
14 was 60/40, correct?

15 A. Correct.

16 Q. You also said under the July 12th draft, GCAC  
17 was being -- the trade team was getting some  
18 reimbursement for personnel that didn't exist under the  
19 Mercuria, right?

20 A. Correct.

21 Q. And then one difference, I guess, that was  
22 better about the Mercuria was originally GCAC would get  
23 first profits up to 500,000 per quarter which has now  
24 been amended to 450,000.

25 A. Correct.

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1 Q. Any other differences you recall?

2 A. Yes. GCAC does not share in losses of the  
3 book.

4 Q. And this Mercuria contract was also for two  
5 years?

6 A. I think it was a bit longer. I think it goes  
7 in -- it went into early 2021. I have to look. I  
8 believe -- I believe it was roughly three years.

9 Q. Okay. Is three -- is a three-year contract in  
10 your mind more desirable from GCAC's viewpoint than  
11 the -- the two-year discussion with Vitol?

12 A. I would -- I would say if the -- in retrospect  
13 that the -- to the extent that the relationship's  
14 working really well, you'd rather be in it -- you'd  
15 rather have a longer term commitment. So, I think, yes,  
16 initially that -- that would be the case. We'd rather  
17 have a -- more of a commitment than less of a  
18 commitment. Again, there's been less receptivity to  
19 doing non-asphalt activities with Mercuria. So, that  
20 may alter that answer but...

21 Q. Do you feel like the Mercuria contract has been  
22 a profitable one for GCAC?

23 A. Yes.

24 Q. And have you done any analysis of the profit?

25 A. I have. We get very detailed profit reports

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1 from Mercuria daily. And then I did a -- a very  
2 thorough review at the end of 2018 as we were -- we have  
3 an annual profit true up, and I was reviewing the  
4 numbers in detail at that time.

5 Q. So, has the Mercuria contract been more  
6 profitable than any projections you might have made with  
7 regard to the arrangement proposal with Vitol and --

8 A. And the profit we experienced with Mercuria in  
9 2018 was coincidentally very, very consistent with the  
10 profit projections we made to Vitol.

11 Q. And how's it going in 2019?

12 A. I think it's going similarly well. However,  
13 we've had some internal accounting issues with regard to  
14 inventory evaluation where we are not -- it's kind --  
15 kind of complicated. We're not any longer marketing our  
16 inventory and tank at asphalt. We're now putting it at  
17 fuel oil prices. So, we have quite a bit of inventory  
18 right now that we believe is severely undervalued.

19 So, if you took that up to what we believe  
20 is a market asphalt value, then I think the book would  
21 be showing performance consistent to last year. If you  
22 take that dramatically lower value, then it's showing a  
23 slight loss year-to-date. Does that make sense?

24 Q. Yeah. I believe it does.

25 A. Okay.

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1 Q. You know a lot more about it than I do.

2 A. It doesn't -- it doesn't mean it makes sense.

3 Q. Do you believe that GCAC would have made more  
4 profit under the proposal it was discussing with -- with  
5 Vitol than what it's made under the Mercuria contract?

6 A. It's hard to say. The hope, certainly and I  
7 believe that Eric Kuo's excitement about working with us  
8 was less about the asphalt and more about the other  
9 lines of business that we were going to do, and that was  
10 the reason that Patrick joined our company. So,  
11 I believe had we actively pursued those business lines,  
12 not all of which would have happened but some of which  
13 would have happened, then it could have been  
14 substantially more profitable. If all we did is  
15 asphalt, I don't think it would have been materially  
16 different.

17 Q. So, how -- how would you go about projecting  
18 what you believe could possibly have been made under --  
19 had that July 12th draft been finalized and signed?

20 A. Sure. So, during the negotiations with Vitol,  
21 we, GCAC and Patrick, as kind of one unit even though  
22 Patrick was still sitting at Rio, put together  
23 information for Eric about different lines of business  
24 that Patrick intended to pursue and estimated annual  
25 margin of each line of business.

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1                   So, those were based on a number of  
2                   assumptions of margins of the business, costs, cost of  
3                   capital, whatnot. There were my recollection is five or  
4                   six new business lines that we were going to consider  
5                   pursuing. And I believe that Eric was more excited  
6                   about those than he was about the asphalt business  
7                   simply because the asphalt business was relatively small  
8                   compared to what Eric's business is at Vitol, to my  
9                   understanding.

10            Q.     Okay. Now, were these what you just told us  
11            based on your discussions with Eric or what was told to  
12            you by others?

13            A.     I think both. I -- I'd certainly met with Eric  
14            a couple of times in the earlier stages of the  
15            negotiations and -- and somewhat -- and somewhat by  
16            others, I guess by Patrick. What I came to believe is  
17            that Eric liked these other lines of business but they  
18            were too small and too time intensive for him to pursue  
19            in his seat at Vitol. So, having a team on the side to  
20            go do these smaller quirkier opportunities was appealing  
21            to him.

22            Q.     And -- and if you can, limit to just the -- the  
23            conversations or communications, whether it was by  
24            e-mail or by telephone or in person just the  
25            communications you personally had with -- with Eric Kuo.

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1 What do you recall him saying about these other lines of  
2 business that were in addition to asphalt?

3 A. I only recall him being excited about the  
4 overall opportunity. I certainly -- and it could just  
5 be we're talking about two years ago. I just don't  
6 remember all the details. I don't remember him saying,  
7 I don't like asphalt and I do like this. But I think  
8 the overall opportunity set was exciting to him. And I  
9 believe -- and maybe he said it directly, maybe not that  
10 just asphalt might not have been exciting. Not because  
11 it's not a good business, it's just smaller, maybe not  
12 worth the -- the climb.

13 Q. Okay. Were these other lines of -- of business  
14 discussed in the July 12th draft?

15 A. I don't think they were in the agreement. It  
16 might -- it might have referenced and other  
17 opportunities. I -- I don't recall.

18 Q. Okay.

19 A. But they would not have been delineated or --  
20 or scheduled out as here's five new ideas we might  
21 pursue.

22 MR. GILES: Would now be a good time for a  
23 break?

24 MR. BROUGHTON: Sure.

25 MR. GILES: All right.

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1 THE VIDEOGRAPHER: We're off the record at  
2 2:57.

3 (A recess was taken from 2:57 p.m. to 3:18  
4 p.m.)

5 THE VIDEOGRAPHER: We're on the record at  
6 3:18.

7 Q. (By Mr. Broughton) You mentioned earlier that  
8 the GOTAC facility was sold?

9 A. Yes.

10 Q. And -- and remind me when that was sold?

11 A. I -- I believe sometime in mid '17.

12 Q. Okay. And did -- do you ever recall Vitol  
13 expressing an interest in purchasing that facility?

14 A. Yes.

15 Q. And tell us what you recall about Vitol being  
16 interested in purchasing that facility.

17 A. Well, so, at the -- AJ and -- and I and other  
18 members of the founding Gravity team had left. So, they  
19 were interested in it, and we were talking to them about  
20 things we could do there with them. We were not  
21 necessarily going to be involved in every business they  
22 would do, but if there were asphalt businesses or heavy  
23 crude processing, we were talking to them about maybe  
24 being part of those businesses.

25 Q. Okay. And so, in that context, Vitol said,



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1 hey, we would love to purchase GOTAC?

2 A. They -- they have a -- I believe a serious  
3 interest. They -- they may have had conversations with  
4 the then current management team and the --

5 Q. The sub -- the management team subsequent to  
6 you, right?

7 A. Correct.

8 Q. Yeah.

9 A. And -- and possibly Flatrock, if I recall.  
10 They ultimately changed their mind again I believe due  
11 to market dynamics.

12 Q. You think Vitol changed its mind?

13 A. Yes. I don't think it ever put a formal bid  
14 in.

15 Q. Okay.

16 A. To my knowledge.

17 Q. Right. And did you personally talk with  
18 anybody at Vitol about any of that?

19 A. Sure.

20 Q. Who -- who do you remember talking with?

21 A. Probably would have been predominantly Steve  
22 Barth, I guess.

23 Q. We also talked about -- or just touched on I  
24 think this morning maybe kind of the July through  
25 December 2017 time period when Vitol was doing some

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1 hedging?

2 A. Uh-huh.

3 Q. Okay. And I think you told me that -- that  
4 really it was the traders that were involved in that as  
5 opposed to -- to you?

6 A. Yes.

7 Q. Is that right? Okay. So, your only real  
8 involvement would have been just more occasionally from  
9 a strategy standpoint?

10 A. Right, is there a better conceptual way to do  
11 this.

12 Q. Okay. So, who at GCAC would have been involved  
13 with Vitol in the day-to-day aspects of the hedging?

14 A. It probably would have been Patrick Perugini  
15 and AJ Brass.

16 Q. And what -- and your understanding was that --  
17 that Vitol was basically conducting that hedging; is  
18 that right?

19 A. Yes.

20 Q. Okay. And did you understand that Mr. Brass  
21 and Mr. Perugini were having some input or what -- how  
22 did you understand that was working?

23 A. My understanding was that Vitol would know when  
24 we -- I say "we" -- the collective Vitol GCAC book --

25 Q. Uh-huh.

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1           A.     -- had bought or sold a physical barrel, and  
2     they would then place hedges or take off hedges based on  
3     that.

4           Q.     And who was deciding what hedges to actually  
5     do?

6           A.     I don't know.

7           Q.     Okay. Have you been asked to do any  
8     calculations regarding the damages that GCAC is claiming  
9     in this lawsuit?

10          A.     Not yet.

11          Q.     Okay.

12          A.     Just started to -- just started to embark along  
13     that --

14          Q.     So, you've been asked to do that?

15          A.     I've been -- yes, just to start -- to start  
16     working on that.

17          Q.     Okay. Do you have any ideas about how you  
18     would go about making such calculation?

19          A.     For some parts, yes, and for some parts, no.

20          Q.     Okay. Well, so for the -- what parts do you  
21     think you -- you don't know -- yet know how you will go  
22     about calculating them?

23                   MR. GILES: And -- and let me just caution  
24     you not to -- to the extent you can answer that without  
25     divulging conversations you had with counsel, you may

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1 answer. But just to be cautious about -- we're kind of  
2 getting into an area that might involve attorney/client  
3 privilege which we talked about.

4 A. Okay. I'm not sure I -- I would know without a  
5 lot of help how to quantify some of the lost opportunity  
6 aspects.

7 Q. (By Mr. Broughton) Okay.

8 A. There are some differences in the two  
9 agreements about the way -- what happens where GCAC is  
10 going to be at the end of the initial Vitol deal versus  
11 the Mercuria deal, what its assets are and its rights to  
12 conduct business. Those are kind of harder to quantify.

13 Q. Explain that a little bit more to me.

14 A. Well, in the Vitol transaction, I believe that  
15 we were going to be kind of solely making up our  
16 decisions and maintaining the tank leases.

17 Q. Making which decisions?

18 A. Operating --

19 Q. Operating.

20 A. -- where to have tanks and, you know, with  
21 Vitol's input and approval. It's suggesting, hey, we  
22 should charter a ship or not charter a ship. Mercuria  
23 has more of a desire to be in the asphalt business  
24 long-term I believe than Vitol did. So, at the end of  
25 the Mercuria relationship, we will not have any -- GCAC

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1 will not have any tank leases in its name or any other  
2 asphalt assets. So, we would be more challenged in  
3 what -- how we continue as an operating entity after the  
4 end of that agreement, I think.

5 Q. Okay.

6 A. That was probably my single biggest concern  
7 with the structure.

8 Q. All right. So, lost opportunity and then  
9 this -- what you've just described. Anything else?

10 A. I mean, there are some -- there are some  
11 smaller specific stuff that we need to analyze. You  
12 know, we were under a lot of pressure on January 11th to  
13 do something imminently. Vitol had stopped entering  
14 into purchase agreements or sale agreements as of  
15 December 31st of '17. So, we were under a lot of  
16 pressure to -- we were maybe a little hampered in our  
17 negotiations.

18 Q. And how do you feel that you were maybe  
19 hampered?

20 A. Well, the -- as an example -- I'm not saying  
21 it's conclusive -- the -- the price that the inventory  
22 was sold at I think was -- we viewed as a low price.

23 Q. Okay. So, I think you were going to tell us  
24 there were -- there were some components of -- of the  
25 calculation that -- that you had already thought

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1 about --

2 A. Uh-huh.

3 Q. -- how you might go about doing that. Which --  
4 can you describe those for us?

5 A. So, I'm not sure where to start because there's  
6 three things I would think about in terms of categories,  
7 and -- and it's just my opinion.

8 Q. Okay.

9 A. One is a sharing in the profits and losses. I  
10 think Vitol would agree that the \$15 million is not a --  
11 that they're claiming is not a profit or the losses.  
12 It's a different figure, a different calculation. So, I  
13 think that calculating the profits and the losses and  
14 the share of that is -- is work that still remains to be  
15 done.

16 Q. I'm not sure I followed you exactly. So,  
17 the -- you talked about the 15 million that Vitol is  
18 claiming.

19 A. Uh-huh.

20 Q. Okay. So, what's your opinion about the  
21 15 million that Vitol is claiming?

22 A. I believe that that is -- making the assumption  
23 that the numbers Vitol provided to us are factually  
24 correct.

25 Q. Okay.

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1           A.     I think there are some errors, but not with  
2     regard to, for example, the -- the hedge report, the  
3     hedge losses that were given to us.

4           Q.     Uh-huh.

5           A.     But presuming that -- that they provide us I --  
6     I do believe that they incurred those losses. So, I --  
7     I believe the \$15 million is the cash that effectively  
8     they're out-of-pocket. That doesn't mean that's owed in  
9     my opinion because there's other factors such as the  
10    profits and losses of the business, our -- our costs  
11    that weren't part of the calculus, and then, you know,  
12    certain damages that we incurred, as -- as an example,  
13    you know, selling the inventory cheap, some dipping  
14    under pressure. So, we have not gone through -- we're  
15    just starting to embark on that.

16          Q.     Okay. And so, if I understand you correctly,  
17    so, you're saying basically you understand the \$15  
18    million that Vitol is claiming, but you believe you had  
19    offsets to it -- that GCAC has offsets against that. Is  
20    that -- is that what I'm understanding you to say?

21                  MR. GILES: Objection, form. You can  
22    answer.

23          A.     I think GCAC also has some claims that are not  
24    included in that number. I guess that -- yes, I guess  
25    that's considered an offset.

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1 Q. (By Mr. Broughton) Okay. I probably asked you  
2 a legal question, so --

3 A. That's all right.

4 Q. So, what categories -- and I know you're still  
5 thinking about it. But just to the best of your ability  
6 sitting here today, what categories of damages do you  
7 believe that GCAC may have against Vitol?

8 A. One would be sharing in -- in a book losses;  
9 and two -- two would be any mistakes that Vitol --  
10 errors in that 15-million-dollar calculation. Again, I  
11 have no reason to believe they were -- they provided  
12 information they believed to be incorrect, but I think  
13 that we may find that there's things in there that just  
14 shouldn't be in there.

15 Q. Okay.

16 A. And then third would be a kind of -- the -- the  
17 third general damages is how are we -- what losses do we  
18 incur as a result of not being able to do Canadian crude  
19 as a result of being -- of having to sell inventory  
20 cheap, things like that.

21 Q. Explain that a little bit to me. I -- I didn't  
22 follow about the Canadian crude.

23 A. Well, we -- as we talked about before, there  
24 was a strong impetus or -- or desire to do projects  
25 outside of asphalt. It's the reason that Patrick



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1 joined GCAC. That's the reason I came back to GCAC  
2 full-time after Gravity. And none of -- you know,  
3 because the relationship went south pretty quickly, none  
4 of that happened. We tried to do some of that stuff  
5 with Mercuria, which was potentially very profitable.  
6 And -- and we talked about it, but there was not the  
7 interest. So, we weren't able to do it with anybody  
8 else either.

9 Q. Okay.

10 A. We're kind of -- Mercuria's done everything  
11 that they're supposed to do under our agreement, but  
12 we're kind of restricted from doing other activities.

13 Q. So, is part of what you plan to do to compare  
14 the profits made for the Mercuria contract with what you  
15 believe would have been made had a deal gone forward  
16 with Vitol?

17 A. I don't know. I haven't gotten there to know  
18 how to approach the analysis. I would -- I would think  
19 that's a logical thing to look at, but we just -- just  
20 haven't got there.

21 Q. Of the -- on the \$15 million that you  
22 referenced that Vitol is claiming, has -- to your  
23 knowledge, has GCAC performed any analysis or accounting  
24 of that number?

25 A. Parts of it. So, we looked at some of the

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1 parts that come to the 15-million-dollar claim.

2 Q. Let me stop you right there. Is this you? Are  
3 you saying you looked at it or you and some other people  
4 or --

5 A. Myself and others and in -- in conjunction with  
6 Vitol for a while.

7 Q. Okay.

8 A. There's a lot of -- on January 12th, the day  
9 after the -- Mercuria started and --

10 Q. Uh-huh.

11 A. -- Vitol ended, there was a lot of unknowns, I  
12 think, just not even about -- the facts were unknown  
13 between us and Vitol. Nobody had been keeping proper --  
14 neither side had been keeping good enough accounting.  
15 It was one of those things where all everybody cared  
16 about was getting out of the deal, and we didn't even  
17 have a good spreadsheet that identified every trade that  
18 had been made. We would have -- we would have pieced  
19 that together and we did that with Vitol.

20 Q. Okay. And so, on piecing together the  
21 spreadsheet, who -- who would have -- do you recall  
22 being involved on both sides?

23 A. Myself and Joe Mattingly on GCAC's side  
24 primarily, and Mike Ruzek and Tom Moran primarily on  
25 Vitol's side.

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1 Q. All right. And --

2 A. That's -- that's specifically regarding what  
3 barrels were purchased and sold.

4 Q. And did y'all literally get together around the  
5 table and were looking at things?

6 A. I think we did. I mean, it was mostly by  
7 e-mail, but I think we did get together and look at it.

8 Q. Okay. And over what period of time did that  
9 take place?

10 A. It was roughly -- roughly two months.

11 Q. Okay.

12 A. It was a long process.

13 Q. January and February or --

14 A. It probably wouldn't have started until mid to  
15 late January and probably the Mercuria closing and then  
16 a little bit of time for everybody to catch their breath  
17 for a second before we dug into it.

18 Q. And -- and how did that kind of end up after a  
19 couple of months?

20 A. We -- we eventually, you know, as we were  
21 trying to resolve the -- the issues and the analysis,  
22 we -- we -- I think we came to a calculation of what  
23 barrels were bought and sold and for how much.

24 Q. Okay.

25 A. For -- for -- without taking into account --

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1 and this may be confusing -- without taking into account  
2 profits and losses of the book but just -- it simply was  
3 a calculation of what Vitol had paid for product  
4 purchase relative to what Vitol received for product  
5 sold.

6 Q. Okay. And with respect to mentioning that  
7 Canadian crude, the Canadian crude is not something  
8 that's mentioned in the July 12th draft, right?

9 A. No, not specifically. I mean, the -- I believe  
10 the draft references asphalt and other products, but  
11 it's not -- it's not specifically identified, correct.

12 Q. Okay. But you think that was covered by that  
13 draft?

14 A. Yes. I think had we pursued it, the -- the  
15 terms of that agreement would have applied, I believe.

16 Q. And why do you believe that?

17 A. Because I don't have something more logical to  
18 believe. I don't -- I don't -- I don't -- there's no  
19 basis for saying, okay, if it's Canadian crude, it's  
20 70/30 or something. We -- we only really talked about  
21 one economic structure. So, I don't know why it would  
22 be different.

23 Q. And your statement that you believe you sold  
24 the inventory for lower than it was worth, what's  
25 your -- what's the basis for that belief?

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1           A.     The only way that Mercuria was comfortable,  
2     because they weren't in the asphalt business, valuing  
3     the inventory -- was to get third-party appraisals of  
4     actual samples based on fuel oil pricing which came out  
5     to an amount that was less than what we believe the  
6     asphalt market value of the product was worth.

7           Q.     So, Mercuria actually went to the third-parties  
8     and had them appraised.

9           A.     Yes.

10          Q.     Do you know who they used?

11          A.     I don't. I think there was -- I think there's  
12     some brokers out there or something who do that kind of  
13     stuff. We don't -- we've never done that.

14          Q.     So, did Mercuria ever share with you who they  
15     used or you just know they used someone?

16          A.     They may have. They may have sent us a report.  
17     I -- I don't recall. I mean, it wasn't a secret.

18          Q.     Right.

19          A.     But I just don't recall.

20          Q.     And you just felt that -- that those  
21     third-party appraisers valued it too low.

22          A.     Not relative to the mission they were given.  
23     They were given a mission of valuing it as fuel oil.  
24     So, the same product could have one value when sold to  
25     one market and another value when sold to another

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1 market. So, they said, you know, value -- what -- what  
2 is this worth to a guy who blends and sells fuel oil.

3 Q. Uh-huh.

4 A. Not what is this worth to an asphalt customer.

5 Q. And you believe to an asphalt customer, it  
6 would have been worth more.

7 A. Yes.

8 Q. Okay. And do you have any idea how much more?

9 A. I haven't -- I looked at it a little bit a long  
10 time ago, but I -- I don't know. I think it's dollars  
11 per barrel, but I don't know how many.

12 Q. And how would you foresee going about making  
13 such a calculation?

14 A. I'd probably compare the actual price in the  
15 fuel oil difference and use the Poten publication,  
16 probably could make arguments about whether -- which --  
17 you know, Poten has a high, a low, a medium. Probably  
18 we could all make arguments about which one to look at,  
19 but that's the best benchmark we have for asphalt  
20 pricing.

21 Q. Do you recall how many barrels were sold to  
22 Mercuria, ballpark?

23 A. Ballpark, 200,000.

24 Q. Okay. Is it in that agreement somewhere?

25 A. I don't know.

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1 Q. Okay.

2 A. I don't know. I expect it's not because it's  
3 something that could move on a daily basis. We probably  
4 would have just referenced it. We could find out.

5 Q. Okay.

6 MR. BROUGHTON: Take a little break and I  
7 might be finished.

8 MR. GILES: Okay. Great.

9 THE VIDEOGRAPHER: We're off the record at  
10 3:42.

11 (A recess was taken from 3:42 p.m. to 3:55  
12 p.m.)

13 THE VIDEOGRAPHER: We are on the record at  
14 3:55.

15 Q. (By Mr. Broughton) Mr. Goldstein, if you will  
16 look again at what we previously marked as Exhibit 26.

17 A. Yes.

18 Q. If you'll look at that second page.

19 So, basically you said the top part under  
20 Rio Energy is not really relevant and the bottom part  
21 under GCAC non-asphalt products isn't really relevant,  
22 if I understood you correctly.

23 A. I don't --

24 MR. GILES: Objection, form.

25 A. I don't know that relevant is the word --

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1 Q. (By Mr. Broughton) Okay.

2 A. -- I would use. So, the first section didn't  
3 occur.

4 Q. Didn't occur. Okay.

5 A. We wanted it to occur.

6 Q. Okay.

7 A. So, I don't know if we'd view it as irrelevant.

8 Q. I wasn't trying to put words in your mouth.

9 A. Sure, sure, sure.

10 Q. Yeah. No, that's fine.

11 A. We thought there might be some value for us in  
12 having Vitrol purchase the Rio goodwill on kind of an --  
13 and hold it until we could find another partner.

14 Q. Okay.

15 A. And the last part, we never did any non-asphalt  
16 transactions. So, the terms -- we wanted to, but the  
17 terms never applied or, you know, had relevance.

18 Q. Okay. And why didn't you do any non-asphalt?

19 A. I don't know. It just -- it feels like once we  
20 got to that September-ish time frame, maybe October, all  
21 anybody was doing was working on trying to unwind this  
22 thing.

23 Q. Okay. So, you touched a little bit, and I  
24 didn't ask really any followup about what you meant.  
25 So, under the middle section under GCAC/asphalt says,



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1 Vitol provides credit. And I think you said they didn't  
2 provide cash, but they did provide credit.

3 A. Well, they -- sorry. They provided cash for  
4 inventory purchases to sellers of product not -- but to  
5 us, not to -- we didn't have a line that we just said,  
6 okay, we want to take down half a million dollars or  
7 something.

8 Q. Okay. So, did you have any dealings or  
9 discussions with anybody at Vitol about why they were  
10 providing credit, slash, providing cash for the  
11 inventory?

12 A. Well, that -- I'm not sure I understand. It  
13 was part of the initial transaction and -- that we had  
14 on July 1st. Had they ceased to provide it, we would  
15 have been out of business the next day. So, I think  
16 they were trying to, again, provide some kind of an  
17 interim solution until we could find another partner.

18 Q. Okay.

19 A. Had they just said we're not financing  
20 purchases anymore, we would have been out of business  
21 real fast.

22 Q. Okay. And then the second bullet point says,  
23 Vitol provides receivables financing. I think you said  
24 earlier they provided some receivables financing.

25 A. For everything they sold.

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1 Q. Okay. And I think you said they did provide  
2 capital for all terminaling fees for Corpus?

3 A. For Corpus they did.

4 Q. Yeah. And not Mobile.

5 A. For Mobile they did for two months is my  
6 recollection, and then they just stopped.

7 Q. Okay. And what's this last notation about the  
8 time value of money?

9 A. It's a time -- so, it's given them an interest  
10 rate on the money that they've put out for these three  
11 bullet points.

12 Q. Okay.

13 A. And I -- and I to this date am not exactly sure  
14 what interest rate they would like or -- or believe is  
15 fair. I once saw a spreadsheet that had three and half  
16 percent, but I also heard AJ mention that they told him  
17 six percent. I -- I don't know what they're seeking  
18 under that number.

19 Q. Okay.

20 MR. BROUGHTON: We'll pass the witness.

21 (Time Noted: 3:58 p.m.)

22 EXAMINATION

23 BY MR. GILES:

24 Q. Okay. Mr. Goldstein, I just want to ask you a  
25 couple quick follow-up questions about a couple of these

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1 documents, and I'll just kind of go in reverse order to  
2 make it easier. We were just talking about Exhibit 26  
3 and the -- what -- what you called in your initial  
4 e-mail the Vitol interim financing structured bullets --

5 A. Uh-huh.

6 Q. -- Version 2. And we've roughly described  
7 these as three sections, Rio Energy, GCAC asphalt  
8 and GCAC non-asphalt products. And you were just  
9 talking about this middle section, but I want to ask you  
10 first: You said the Rio Energy, the first section, that  
11 never occurred, correct?

12 A. Correct.

13 Q. Okay. And you said there were never any  
14 non-asphalt sales or purchases, correct?

15 A. Correct.

16 Q. Okay. Did anything in the middle -- to your  
17 knowledge, in the middle section, GCAC asphalt, did  
18 anyone from -- to your knowledge, from either GCAC or  
19 Vitol ever agree to these terms?

20 A. I don't think they were terms agreed to.

21 Q. Okay. Did -- did -- for example, we looked at  
22 Exhibit 24 -- see if I can find that for you -- which  
23 was an e-mail and draft from Ernie Kohnke at Vitol to  
24 Dave Hubenak at GCAC dated July 12th. Do you remember  
25 that document?

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1 A. Yes.

2 Q. And that was a draft of a JSMA agreement that  
3 was never signed.

4 A. Yes.

5 Q. Okay. Did -- after -- do you recall ever  
6 seeing any drafts dated later than this?

7 A. I don't recall seeing.

8 Q. Okay. Did -- to your knowledge, did Vitol ever  
9 send GCAC a draft after July 12th of 2017 that changed  
10 this -- the structure of the deal from a joint marketing  
11 agreement to a financing arrangement?

12 A. I'm not aware of that happening.

13 Q. Okay. The other one I wanted to ask you about  
14 is Exhibit 25. Wait. Okay. You've got the original.  
15 I want to make sure I didn't actually grab a stickered  
16 one. That's a no-no.

17 Do you have 25 over there?

18 A. I have 24 and 26.

19 Q. (By Mr. Giles) I think maybe you just got  
20 asked questions about it, but I'll find it. Yeah, here  
21 it is.

22 A. Uh-huh.

23 Q. And -- and 25 is an e-mail dated July 28th,  
24 2017 from you to Mr. Brass, things we should touch base  
25 on today. And we talked -- or you talked to

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1 Mr. Broughton about these a little bit, but I want to go  
2 over a couple of these bullet points.

3 A. Okay.

4 Q. B under 2, JMA, what does that refer to?

5 A. I believe that refers to the joint marketing  
6 agreement that was never signed.

7 Q. Okay. After July 12th, were any additional  
8 drafts ever exchanged, to your knowledge?

9 A. Not to my knowledge, no.

10 Q. And was a JMA ever signed?

11 A. No.

12 Q. Okay. C references a GCAC Arc sublease. What  
13 is Arc?

14 A. Arc is the company that at the time owned the  
15 terminal in Mobile where we had leased tankage.

16 Q. Okay. And so, did this reference that if  
17 the JMA, the written agreement had ever been executed  
18 and it still included a quote, NewCo, that that GCAC  
19 lease would have to be subleased to -- to the NewCo?

20 A. That was -- had we gone through with all that,  
21 that was what we were thinking was the right way to do  
22 it.

23 Q. Okay. And then that entity would then sublease  
24 it to Vitol?

25 A. Right.

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1 Q. Okay. Did any of that ever happen?

2 A. No.

3 Q. Okay. Setting up Hermosa bank account, was --

4 I think you said -- well, let me ask you it this way:

5 Was an entity called Hermosa actually created?

6 A. Yes.

7 Q. Okay. Did it ever do any business with Vitol?

8 A. No.

9 Q. Okay. Was a bank account ever set up for

10 Hermosa?

11 A. After the Vitol relationship ended.

12 Q. Do you know if that occurred after January of

13 2018?

14 A. Yes.

15 Q. Okay. Was the management service agreement

16 between Hermosa and GCAC ever entered into?

17 A. No.

18 Q. Okay. Or with any other entity associated with

19 the Vitol transaction.

20 A. No.

21 Q. Okay. As of July 1st, 2017, what was your

22 understanding as to whether GCAC and Vitol had entered

23 into a joint venture agreement?

24 A. I believe it had entered into the -- the

25 economic and material terms of that joint marketing

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1 agreement we've discussed.

2 Q. And what were those material terms?

3 A. The biggest part was a 50/50 share of the  
4 profits and losses. There were a lot of -- I think that  
5 the trade team salary reimbursement was a material term,  
6 and then the other material terms were what constituted  
7 costs and -- and revenues.

8 Q. Okay. So, in other words --

9 A. What each side could put in the bucket, if you  
10 will.

11 Q. All right. As a joint profit sharing or loss  
12 sharing agreement, certain revenues and expenses would  
13 be allowed or not allowed to go into it.

14 A. Correct.

15 Q. And you believe those terms had been agreed  
16 into.

17 A. Yes.

18 Q. And who would have agreed to them? Who had  
19 agree to them?

20 A. From our side?

21 Q. Generally who do you understood agreed to those  
22 terms, what two individuals?

23 A. Well, I was told that -- by AJ that he and  
24 Patrick and Eric were ready to transact based on this.

25 Q. Okay.

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1           A.     So I guess -- I guess Eric would be the Vitol  
2     person.

3           Q.     Now, you have experience as a investment  
4     banker?

5           A.     Uh-huh.

6           Q.     I'm sorry. Is that a "yes"?

7           A.     Yes. Sorry.

8           Q.     And you -- I think you said earlier as an  
9     investment banker, you -- you would generally prefer --  
10    and I can tell you as a lawyer, I probably agree with  
11    you. You would prefer to have a written agreement?

12          A.     I'd rather have a signed agreement, yes.

13          Q.     Okay. But in your -- in the -- in the energy  
14    business and in the -- in your experience in the asphalt  
15    business, do transactions occur on occasion where they  
16    do business before there's a written agreement or a  
17    signed agreement?

18                   MR. BROUGHTON: Objection, form.

19          A.     Do I answer?

20          Q.     (By Mr. Giles) Yes.

21          A.     Yes, much more so than other businesses I've  
22    been involved with.

23          Q.     Okay. And when you say much more so, which --  
24    you mean energy business or --

25          A.     Yeah, yes.



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1 Q. -- asphalt business?

2 A. Well, the -- energy trading, I would say. I  
3 would -- I wouldn't apply it to all aspects of energy.  
4 I wouldn't apply it to terminaling and midstream, but in  
5 the trading business a lot gets done on a conversation  
6 or -- or a short e-mail.

7 Q. Okay. As of July 1st of 2017, did you feel  
8 that the terms of the agreement between GCAC and Vitol  
9 were sufficiently definite to allow the parties to  
10 perform under that agreement?

11 MR. BROUGHTON: Objection, form.

12 A. I think so.

13 Q. (By Mr. Giles) And why do you believe that?

14 A. Well, we'd been be negotiating for a while. I  
15 think both parties knew the major economic terms, and  
16 then the parties started transacting. So, I just didn't  
17 have another alternative to believe.

18 Q. Do you believe that Vitol and GCAC could have  
19 conducted the business they did without having an  
20 understanding as to the material terms of the agreement?

21 MR. BROUGHTON: Objection, form.

22 A. I'm not sure I understand.

23 Q. (By Mr. Giles) Do you believe that GCAC and  
24 Vitol could have conducted business under the  
25 arrangement they had if they did not have an

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1 understanding of the material terms of their agreement?

2 MR. BROUGHTON: Objection, form.

3 A. So, you're asking could they have gone and  
4 purchased and sold product and such activities? I think  
5 it would have been very ill-advised, but I don't know  
6 that there was a contractual or legal restriction from  
7 doing so. I think it would be unwise.

8 Q. (By Mr. Giles) Do you believe that -- do you  
9 have an understanding about whether Vitol and GCAC  
10 actually began operations under an agreement?

11 MR. BROUGHTON: Objection, form.

12 A. I believe they did.

13 Q. (By Mr. Giles) Okay. And are the material  
14 terms of that agreement contained within any writing  
15 that you know of?

16 A. I believe they're in the drafts of the JMA or  
17 JSMA -- I can't remember which it's called -- in the  
18 late June and early July time frame.

19 Q. You -- you primarily dealt with Mr. Barth; is  
20 that correct?

21 A. On the -- on the -- on the agreement, yes.

22 Q. Okay. And I don't want to put words in your  
23 mouth, but I believe you said that you primarily dealt  
24 with the paper side and Mr. Brass primarily dealt with  
25 the business side; is that accurate?

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1           A.     Yes.   I -- I would only qualify that to say I  
2     would get involved with the analytics of what the deal  
3     would mean in terms of profits to different parties and  
4     things like that, but yes.

5           Q.     Did -- did in your conversations with  
6     Mr. Barth, I would assume you had both e-mail and  
7     telephone conversations?

8           A.     And -- and in person.

9           Q.     And in person.   Regarding the exchange of  
10    drafts of the agreement?

11          A.     Yes.

12          Q.     During those negotiations and discussions, did  
13    Mr. Barth ever -- ever say words to the effect that we  
14    don't have a deal until this paper is signed?

15          A.     I don't recall that.

16          Q.     Anyone -- I'm sorry.   Go ahead.

17          A.     I don't recall that being said.

18          Q.     Did anyone at Vitol ever tell you words to the  
19    effect that there's no agreement between Vitol and GCAC  
20    until that draft agreement is signed?

21          A.     I don't recall that being said.

22          Q.     Did GCAC rely on Vitol's conduct indicating  
23    that an agreement had been made in conducting its  
24    business even though that joint marketing agreement was  
25    never signed?

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1 MR. BROUGHTON: Objection, form.

2 A. Sure. We -- we -- we absolutely assumed that  
3 on July 1st, we were operating under that agreement.  
4 So, everything we did was under that presumption.

5 MR. GILES: I'll pass the witness.

6 MR. BROUGHTON: No further questions.

7 MR. GILES: Great. Thank you so much.

8 THE VIDEOGRAPHER: We're off the record at  
9 4:11.

10 (Deposition concluded at 4:11 p.m.)  
11  
12  
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CHANGES AND SIGNATURE

WITNESS NAME: JASON GOLDSTEIN                      DATE: MAY 16, 2019

PAGE	LINE	CHANGE	REASON
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U.S. LEGAL SUPPORT, INC  
713-653-7100

001452

Jason Goldstein  
May 16, 2019

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1 I, JASON GOLDSTEIN, have read the foregoing  
2 deposition and hereby affix my signature that same is  
3 true and correct, except as noted above.

4

5

\_\_\_\_\_  
JASON GOLDSTEIN

6

7 THE STATE OF \_\_\_\_\_)

8 COUNTY OF \_\_\_\_\_)

9

10 Before me, \_\_\_\_\_, on this day  
11 personally appeared JASON GOLDSTEIN, known to me or  
12 proved to me on the oath of \_\_\_\_\_ or through  
13 \_\_\_\_\_ (description of identity card or  
14 other document) to be the person whose name is  
15 subscribed to the foregoing instrument and acknowledged  
16 to me that he/she executed the same for the purpose and  
17 consideration therein expressed;

18 Given under my hand and seal of office on this  
19 \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.  
20

21

22

23

\_\_\_\_\_  
NOTARY PUBLIC IN AND FOR  
THE STATE OF \_\_\_\_\_

24

25 My Commission Expires: \_\_\_\_\_

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May 16, 2019

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CAUSE NO. 2018-31578

GULF COAST ASPHALT COMPANY ) IN THE DISTRICT COURT OF  
LLC )  
PLAINTIFF )  
VS. ) HARRIS COUNTY, T E X A S  
VITOL, INC., )  
DEFENDANT ) 295TH JUDICIAL DISTRICT

REPORTER'S CERTIFICATE  
ORAL VIDEOTAPED DEPOSITION

OF

JASON GOLDSTEIN

May 16, 2019

I, Roxanne K. Smith, Certified Shorthand Reporter in  
and for the State of Texas, hereby certify to the  
following:

That the witness, JASON GOLDSTEIN, was duly sworn  
and that the transcript of the deposition is a true  
record of the testimony given by the witness;

That the deposition transcript was duly submitted on  
\_\_\_\_\_ to the witness or to the attorney for  
the witness for examination, signature, and return to me  
by \_\_\_\_\_.

That pursuant to information given to the deposition  
officer at the time said testimony was taken, the  
following includes all parties of record and the amount

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1 of time used by each party at the time of the  
2 deposition:

3 Mr. Kenneth Broughton (4 hours 4 minutes)  
4 Mr. Neil Giles (13 minutes)

5 That a copy of this certificate was served on all  
6 parties shown herein on \_\_\_\_\_ and filed  
7 with the clerk.

8 I further certify that I am neither counsel for,  
9 related to, nor employed by any of the parties in the  
10 action in which this proceeding was taken, and further  
11 that I am not financially or otherwise interested in the  
12 outcome of this action.

13 Further certification requirements pursuant to Rule  
14 203 of the Texas Code of Civil Procedure will be  
15 complied with after they have occurred.

16 Certified to by me on this \_\_\_\_\_ day of  
17 \_\_\_\_\_, \_\_\_\_\_.

18 

19  
20 \_\_\_\_\_  
21 Roxanne K. Smith, CSR  
22 CSR No. 6290; Expires 10-31-21  
23 U.S. Legal Support  
24 Firm Registration No. 122  
25 16825 Northchase Dr., Suite 800  
Houston, Texas 77060  
(713) 653-7100



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## 1 FURTHER CERTIFICATION UNDER TRCP RULE 203

2 The original deposition was/was not returned to the  
3 deposition officer on \_\_\_\_\_.

4 If returned, the attached Changes and Signature  
5 page(s) contain(s) any changes and the reasons therefor.

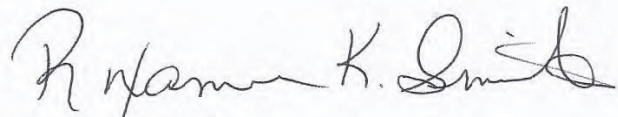
6 If returned, the original deposition was delivered  
7 to Mr. Kenneth Broughton, Custodial Attorney.

8 \$\_\_\_\_\_ is the deposition officer's charges to the  
9 Defendant for preparing the original deposition and any  
10 copies of exhibits;

11 The deposition was delivered in accordance with Rule  
12 203.3, and a copy of the certificate, served on all  
13 parties shown herein, was filed with the Clerk.

14 Certified to by me on this \_\_\_\_\_ day of

15 \_\_\_\_\_, \_\_\_\_\_.

16  
17 

18 \_\_\_\_\_  
19 Roxanne K. Smith, CSR  
20 CSR No. 6290; Expires 10-31-21  
21 U.S. Legal Support  
22 Firm Registration No. 122  
23 16825 Northchase Dr., Suite 800  
24 Houston, Texas 77060  
25 (713) 653-7100

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**6**

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**A**

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Transcript of the Testimony of  
**Patrick Perugini**

**Date:**

June 29, 2018

**Case:**

VITOL vs GULF COAST ASPHALT , LLC

Patrick Perugini

June 29, 2018

CAUSE NO. 2018-33445

VITOL, INC. ) IN THE DISTRICT COURT  
)  
Plaintiff, )  
)  
vs. ) HARRIS COUNTY, TEXAS  
)  
GULF COAST ASPHALT )  
COMPANY, LLC and ARTHUR J.)  
BRASS )  
)  
Defendants. ) 157TH JUDICIAL DISTRICT

ORAL VIDEOTAPED DEPOSITION

PATRICK PERUGINI

JUNE 29, 2018

ORAL VIDEOTAPED DEPOSITION OF PATRICK PERUGINI,  
produced as a witness at the instance of the Plaintiff  
and duly sworn, was taken in the above-styled and  
numbered cause on June 29, 2018, from 10:04 a.m. to  
11:55 a.m., before Dana Richardson, Certified Shorthand  
Reporter in and for the State of Texas, reported by  
computerized stenotype machine at the offices of Hall  
Maines Lugin, 2800 Post Oak Boulevard, 64th Floor,  
Houston, Texas 77056, pursuant to the Texas Rules of  
Civil Procedure and the provisions stated on the record  
or attached hereto.

Patrick Perugini

June 29, 2018  
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<p>1 INDEX</p> <p>2 PAGE</p> <p>3 PATRICK PERUGINI</p> <p>4 Examination by Mr. Baay .....4</p> <p>5 Examination by Mr. Giles .....79</p> <p>6 Further Examination by Mr. Baay .....81</p> <p>7 Signature Page .....84</p> <p>8 Court Reporter's Certificate .....86</p> <p>9 EXHIBITS</p> <p>10 EXHIBIT DESCRIPTION PAGE</p> <p>11 Exhibit 11 GCAC Figures Not Confirmed from 19</p> <p>12 Invoices</p> <p>13 Exhibit 12 Copy of a text string 38</p> <p>14 Exhibit 13 August 15, 2017, e-mail from 41</p> <p>15 Eric Kuo to Patrick Perugini,</p> <p>16 et al.</p> <p>17 Exhibit 14 Copy of text message string 45</p> <p>18 Exhibit 15 E-mail string with top e-mail 52</p> <p>19 dated September 25, 2017, from</p> <p>20 Eric Kuo to Patrick Perugini,</p> <p>21 et al.</p> <p>22 Exhibit 16 E-mail string with top e-mail 63</p> <p>23 dated October 16, 2017, from</p> <p>24 Eric Kuo to Patrick Perugini,</p> <p>25 et al.</p> <p>26 Exhibit 17 E-mail string with top e-mail 65</p> <p>27 dated January 10, 2018, from</p> <p>28 Patrick Perugini to Eric Kuo,</p> <p>29 et al.</p>	<p>Page 3</p> <p>1 Q. All right. Lucky you.</p> <p>2 A. Yeah.</p> <p>3 Q. You made it a long time without doing it.</p> <p>4 Okay. Well, I'm sure you've -- you've had</p> <p>5 a chance to meet with your lawyer?</p> <p>6 A. Yes.</p> <p>7 Q. And he's described to you that everything we</p> <p>8 say here -- or you're under the obligation to tell the</p> <p>9 truth here?</p> <p>10 A. Yes.</p> <p>11 Q. And that everything we say is being taken down</p> <p>12 so that it can be used at the time of trial?</p> <p>13 A. Yes.</p> <p>14 Q. There's no reason why you can't give best</p> <p>15 testimony? You're not on any medication that would</p> <p>16 limit your effectiveness, right?</p> <p>17 A. Right. Correct.</p> <p>18 Q. Okay. If you don't understand my question,</p> <p>19 which is going to be highly possible today, just ask me</p> <p>20 to restate it.</p> <p>21 A. Okay.</p> <p>22 Q. All right? If you don't ask me to restate it,</p> <p>23 I'm going to assume you understood it.</p> <p>24 A. Okay.</p> <p>25 Q. Okay. You're currently at GCAC?</p> <p>Page 4</p> <p>Page 5</p>



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<p style="text-align: right;">Page 6</p> <p>1 A. Yes.</p> <p>2 Q. And what's your role there?</p> <p>3 A. Trader.</p> <p>4 Q. And how long have you been in that role?</p> <p>5 A. One year.</p> <p>6 Q. Okay. And you came from Rio Energy?</p> <p>7 A. Yes.</p> <p>8 Q. How long were you with Rio?</p> <p>9 A. Six years.</p> <p>10 Q. How about before that?</p> <p>11 A. I was at Koch Supply &amp; Trading.</p> <p>12 Q. K-o-c-h?</p> <p>13 A. Yeah, K-o-c-h.</p> <p>14 Q. For how long?</p> <p>15 A. Two years.</p> <p>16 Q. How about before that?</p> <p>17 A. I was at Tauber for 11.</p> <p>18 Q. Okay. And before that?</p> <p>19 A. You're making me --</p> <p>20 Q. I know. Going back.</p> <p>21 A. It was MicroMasters for -- I think it was -- it</p> <p>22 was three.</p> <p>23 Q. Okay. Where did you get your undergraduate</p> <p>24 degree?</p> <p>25 A. University of Texas.</p>	<p style="text-align: right;">Page 8</p> <p>1 Q. Yeah.</p> <p>2 A. -- and talk it through?</p> <p>3 Q. Yeah.</p> <p>4 THE WITNESS: So I'll do it like we did it</p> <p>5 the other day.</p> <p>6 A. If this is a barrel of crude oil and we -- it</p> <p>7 goes into a refinery, this barrel of crude oil. And we</p> <p>8 trade on the back side of the refinery, if you will. So</p> <p>9 after the crude comes in, we buy things from the</p> <p>10 refinery, basically.</p> <p>11 So up here would be the gasolines, the</p> <p>12 gasolines and naphthas, distillates and caro, vacuum gas</p> <p>13 oil. And then we trade down here. And why -- why I'm</p> <p>14 doing this visually is 6 oil and asphalt are kind of the</p> <p>15 bottom of the barrel, and they're -- they're symbiotic.</p> <p>16 They -- they kind of trade together.</p> <p>17 Q. (BY MR. BAA) Uh-huh.</p> <p>18 A. Almost all 6 oil's derive from the base of,</p> <p>19 like, a heavy 6 oil. A true 6 oil is derived from the</p> <p>20 vacuum tower bottom, which is the asphalt.</p> <p>21 Q. Got it.</p> <p>22 A. So it's -- it's not that much different to --</p> <p>23 it goes into different pricing mechanisms further down</p> <p>24 the way, but you actually -- if you trade 6 oil, you</p> <p>25 also trade vacuum tower bottoms, which is asphalt.</p>
<p style="text-align: right;">Page 7</p> <p>1 Q. What year did you graduate from there?</p> <p>2 A. '91, 1991.</p> <p>3 Q. With a degree in what?</p> <p>4 A. Chemical engineering.</p> <p>5 Q. In all those entities that we listed, were</p> <p>6 your -- was your role essentially a trader?</p> <p>7 A. No. The early career, I was a chemical</p> <p>8 salesman.</p> <p>9 Q. Okay.</p> <p>10 A. But -- but Tauber on -- it was all trader.</p> <p>11 Q. And was it trading in a specific commodity or</p> <p>12 multi -- different commodities?</p> <p>13 A. I would call it multi commodities.</p> <p>14 Q. Okay. What would -- what would you say you</p> <p>15 have the most experience with, what commodity?</p> <p>16 A. 6 oil.</p> <p>17 Q. 6 oil?</p> <p>18 A. Yes, sir.</p> <p>19 Q. Okay. And in your current role with GCAC,</p> <p>20 what's the commodity you deal most frequently with?</p> <p>21 A. Asphalt.</p> <p>22 Q. Just describe for the jury the difference</p> <p>23 between 6 oil and asphalt.</p> <p>24 A. Oh, I'm going to try to start with the</p> <p>25 similarities. The -- can I do it visually, too --</p>	<p style="text-align: right;">Page 9</p> <p>1 Q. Right.</p> <p>2 A. So we -- for me to get away -- like, there will</p> <p>3 be times I'll sell my asphalt back into 6 oil, too. So</p> <p>4 there will be times I'll still trade 6 oil, so to speak.</p> <p>5 Q. Got it. And are those referred to in the</p> <p>6 industry as heavy oil or heavy fuels?</p> <p>7 A. Sure. There's a lot of names for them.</p> <p>8 Q. Right. Bunker fuel?</p> <p>9 A. Yeah.</p> <p>10 Q. Okay. And effectively the same type of product</p> <p>11 that you were dealing with when you were at Rio Energy?</p> <p>12 A. Yes.</p> <p>13 Q. Okay. The -- I'm going to ask you about how</p> <p>14 you're compensated at GCAC, and I assume it's you run</p> <p>15 your own profit and loss sheet?</p> <p>16 A. Yes.</p> <p>17 Q. And when I say "P&amp;L," you know that I'm talking</p> <p>18 about that?</p> <p>19 A. Yes.</p> <p>20 Q. Or book?</p> <p>21 A. Correct.</p> <p>22 Q. Okay. And this -- this trade that -- these</p> <p>23 trades that happened between Vitol and GCAC, were those</p> <p>24 all captured within your book?</p> <p>25 A. Yes.</p>